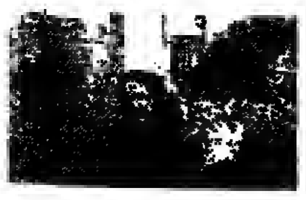

Unfair exchange

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Black men in suits

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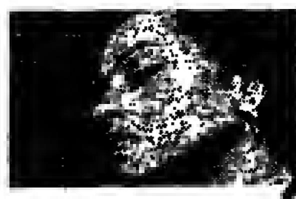

Going for a song

PolyGram gets it on with Motown

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY AUGUST 4 1993 — D8523A

Spain calls for 3-year wage and dividend curbs

The Spanish government has asked unions and employers to accept a three-year incomes policy that would freeze both wages and dividends to shareholders next year and only permit small rises in 1995 and 1996.

The proposals are similar to an initiative rejected by the unions in 1991, but have added urgency as Spain's economy sinks further into recession and unemployment is at record levels. Page 12

Clinton sees more cuts: President Bill Clinton said the compromise budget deal, involving a planned $496bn reduction in the deficit over five years, was "just the beginning, not the end". Page 3; Slow growth set to continue, Page 3

Bosnian leaders called to talks: International mediators summoned Slobodan Milosevic, Serbia's president, and Franjo Tudjman, his Croat counterpart, back to Geneva in an effort to salvage the Bosnian peace talks. The move appears to be aimed at exerting pressure on Bosnia's president Alija Izetbegovic to rejoin the process. Page 12

Sell-off planned for 1994: UK industry ministers want to sell the bulk of British Coal by as early as next July in a privatisation process that is likely to break it up into at least two separate companies. Page 6

Creditanstalt-Bankverein, Austria's second largest bank, has achieved a substantial recovery in profit in the first half and plans to sell off most of its substantial industrial holdings. In last year's group balance sheet, the value of its investment portfolio was Sch24.3bn ($2.02bn). Page 13

Montedison, Italian chemicals group implicated in the political corruption scandal, has obtained permission from a Milan court to sequester up to L500bn ($311m) in assets from six former senior managers and members of the Ferruzzi family which controls it. Page 12

Christopher optimistic over Mideast talks

US secretary of state Warren Christopher (left) appeared to support Israel's view that the US-arranged ceasefire which ended Israel's bombardment of southern Lebanon could advance stalled bilateral peace talks with Syria and Lebanon. "The fighting in Lebanon ... was a reminder of how urgent our task is and how real are the enemies of peace," he said after meeting Israeli prime minister Yitzhak Rabin. Page 4

Technology group sold: London's City University, in an unprecedented deal for a British university, sold a technology company subsidiary to its staff for £27m ($40m). Page 6

Standard Bank Investment Corporation: A sharp increase in the asset base and a lower tax rate helped South Africa's leading banking group, to increase earnings per share 37 per cent, to 335 cents, in the six months to June. Page 14

Japanese apology promised: Japan will seek a reconciliation with its neighbours by making a clear apology for aggression during the second world war and compensating victims, said Tsutomu Hata, who is likely to become deputy prime minister in Japan's new government. Page 4

Roussel-Uclaf, one of France's largest chemicals companies, announced a strong increase in net profits for the first half of the year to FFr470m ($81m) and forecast full-year net profits would be between 15 per cent and 20 per cent higher than the 1992 result. Page 15

'Green benefits' from cordon: The Corporation of London put forward environmental arguments to support its proposal that the anti-terrorist security cordon around the financial heart of the City should be made permanent, saying it had reduced car traffic and pollution. Page 6; Maximum security, minimum loss, Page 6

Action on treaties threatened: President Clinton's airlines commission is recommending a tough response to governments which violate their aviation treaties with the US. Page 4

Search for oil: Israel's National Oil Company intends to raise $12m to drill for oil on the Golan Heights, captured by Israel from Syria in 1967 and now at the centre of their peace talks.

Lahore bombs injure 20: More than 20 people were hurt when three bomb blasts rocked Lahore in central Pakistan.

■ STOCK MARKET INDICES		
FT-SE 100:	2,945.0	(+3.3)
Yield	3.9	
FT-SE Eurotrack 100	1,261.49	(+9.00)
FT-A All-Share	1,458.93	(+0.1%)
Nikkei	20,357.64	(+14.11)
New York lunchtime		
Dow Jones Ind Ave	3,561.63	(+14.11)
S&P Composite	449.65	(-0.50)
■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	3.137%	
Long Bond	107 11/32	
Yield	6.532%	
■ LONDON MONEY		
3-mo Interbank	5 7/8%	(same)
Liffe long gilt future:	Sep 110 13/32	(Sep 109 13/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$16.6	(16.75)
■ Gold		
New York Comex (Aug)	$403.4	(405.9)
London	$403.65	(403.25)

■ STERLING		
New York lunchtime:		
$	1.502	
London:		
$	1.5045	(1.4695)
DM	2.565	(2.555)
FFr	8.94	(8.955)
SFr	2.26	(2.2375)
Y	157	(155.5)
£ Index	81.8	(81.4)
■ DOLLAR		
New York lunchtime:		
DM	1.706	
FFr	5.932	
SFr	1.5033	
Y	104.55	
London:		
DM	1.705	(1.7155)
FFr	5.9425	(6.0125)
SFr	1.502	(1.503)
Y	104.4	(same)
$ Index	65.6	(66.1)
Tokyo close Y 104.35		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

Cut in repo rate corrects D-Mark's appreciation against EC currencies

Bundesbank acts on short-term lending

By James Blitz, Economics Staff

THE BUNDESBANK yesterday helped to restore order to foreign exchange markets by cutting the cost of short-term lending to commercial banks.

The action helped correct the D-Mark's appreciation against other European currencies after relaxation of the exchange rate mechanism's rules on Monday.

The German central bank's decision to cut its repo rate by 0.15 percentage points to 6.80 per cent was the third surprise that it has given financial markets in less than a week, and was followed by a sharp appreciation in the value of the French franc.

The action also helped several currencies, including the French franc, the Danish krone and the Spanish peseta, to rise against the D-Mark after suffering sharp falls in recent days.

The Bundesbank's move could not prevent several European governments from continuing to express concern that their currencies might suffer sharp depreciations in the wake of Monday's momentous transformation of the ERM, and from taking protective measures in financial markets.

Denmark continued to defend the krone by keeping its money market interest rates high.

At one stage yesterday, the interest rate for borrowing krone overnight was 250 per cent, with one-month interest rates remaining at 25 per cent throughout the day. These interest rates helped the krone to appreciate to a London close of DKr3.9750 against the D-Mark, having been as low as DKr4.0467 at one stage.

The Belgian authorities intervened in currency markets for the second consecutive day, running, buying the Belgian franc, as the currency came under a modest speculative attack from currency dealers and fell to its lowest point yet in this crisis.

The Belgian government could may be concerned that the fracturing of its link with the D-Mark will highlight fundamental economic problems , including a national government debt level that is estimated at 130 per cent of GDP.

There was no indication from the French authorities about when they might cut interest rates, an opportunity which has been created by the widening of the franc's permitted fluctuation against the D-Mark in the ERM.

European governments may be unwilling to cut rates, risking currency depreciation, until they have improved the level of central bank reserves. Those will have been badly depleted by the intervention to support their currencies last week.

The Bank of Spain, however, may have encouraged other central banks to ease monetary policy in the near term, by cutting interest rates and seeing the peseta move sharply higher against the D-Mark.

After the repo rate was cut from 11 per cent to 10½ per cent, the peseta rallied to a London close of Pta81.48 to the D-Mark, having been at Pta83.17 at the start of trading.

Strong speculation about a base-rate cut in the UK continued to affect sterling markets, with long-dated gilts rising by ¾ of a per cent on the day.

The cost of borrowing overnight funds from German banks has tumbled by about ½ a percentage point since last Friday.

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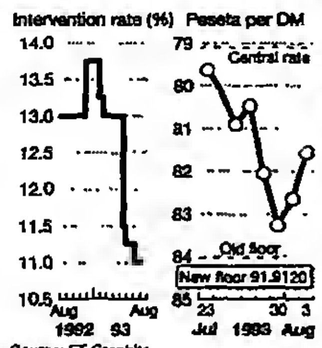

Source: FT Graphite

Joining forces: German finance minister Theo Waigel (left) jokes with his French counterpart Edmond Alphandéry before their meeting to quell talk of a rift between the two countries Reuter

France and Germany close ranks on ERM

By Alice Rawsthorn in Paris

MR THEO WAIGEL, the German finance minister, and Mr Edmond Alphandéry, his French counterpart, joined forces yesterday to quell talk of a Franco-German rift over the crisis in the European exchange rate mechanism.

The two ministers, who were meeting in Paris together with their central bank chiefs for a session of the Franco-German economic council, both stressed that they regarded Monday's decision by European Community finance ministers to widen the trading bands for ERM currencies as a temporary measure.

Mr Alphandéry, whose government's *franc fort* policy of maintaining a strong link between the franc and the German D-Mark is now under severe strain, described the Brussels agreement as "an imaginative, but temporary" solution which would be reviewed by another meeting of the Franco-German economic council in the autumn.

Mr Waigel also stressed the "temporary" nature of Sunday's decision and predicted that the ERM bands were likely to be narrowed before the end of the year.

Both ministers were at pains to claim that relations between France and Germany, far from weakening, had been strengthened by the crisis. Mr Waigel, who last month abruptly cancelled a meeting with Mr Alphandéry following controversy in Germany over remarks by the French minister concerning the franc's performance, said the EC could not have reached the "excellent solution" without France's co-operation.

"I want to lay to rest all these rumours about the so-called deterioration in Franco-German relations ... I can testify that during this period of tension on the markets, the Franco-German couple once again proved its solidity," said Mr Alphandéry.

Their comments followed Monday's admission by Mr Edouard Balladur, the French prime minister, that the Brussels negotiations had been strained. According to one authoritative report in Paris, the Brussels talks were twice imperilled by disagreements between the two countries.

Mr Alphandéry, who had appeared apprehensive on Monday at Mr Balladur's press conference, seemed more confident yesterday. The council meeting was carefully stage-managed and both ministers faced the battery of television cameras with resolute smiles.

Mr Alphandéry said there was evidence that France was emerging from recession and that the economy stabilised in the second quarter after two successive quarters of decline. "The worst is already behind us in France, as it is in Germany," he said.

Meanwhile Mr Helmut Schlesinger, Bundesbank president, tried to assuage concern about the impact of the D-Mark's rise on the German economy by stressing that fluctuations in the ERM currencies, including the D-Mark, had been relatively slight since the Brussels decision.

PolyGram to buy Motown record company for $301m

By Michael Skapinker, Leisure Industries Correspondent

POLYGRAM, the Dutch-controlled music group, is to pay $301m for Motown, the US record label which gave the world Diana Ross, Lionel Richie, the Four Tops, Smokey Robinson and a host of other black stars.

The acquisition gives PolyGram, which has its headquarters in London, copyright over 30,000 Motown albums, including such hits as Marvin Gaye's "I heard it through the Grapevine", Stevie Wonder's "You Are the Sunshine of My Life", the Temptations' "Papa was a Rollin' Stone" and the Supremes' "Stop! In the Name of Love".

PolyGram is financing the deal through the issue of 10m new shares, with a total value at yesterday's close of Fl 595m. Philips, the Dutch electronics group which controls PolyGram, will not take up any shares. Its stake in PolyGram will fall from 79.4 per cent to 75 per cent.

Mr Alain Lévy, PolyGram's chief executive, said he hoped to exploit the Motown name through merchandise sales. Other possibilities which PolyGram might consider are restaurants and theme parks carrying the Motown name.

Lex .... Page 12
Welcome note heard through the grapevine .... Page 13
Income up 19% .... Page 13

Mr Lévy said these attractions would be run by licensees rather than by PolyGram. He said: "We don't intend to become Disney." Following financial difficulties experienced by Euro Disney, near Paris, Mr Lévy said he thought any Motown theme parks would be based in the US.

Mr Berry Gordy, who founded Motown in Detroit in 1959, will become chairman emeritus of the label. Mr Jheryl Busby, Motown's chief executive since 1988, will retain his position. Mr Lévy said he had no intention of moving Motown from its headquarters in Los Angeles. He said Motown would retain its creative independence, adding: "I will leave it to be American."

Motown's current artists still include Diana Ross and Stevie Wonder, along with new acts such as Johnny Gill and Boyz II Men, whose album Cooleyhighharmony has sold more than 6m copies.

Boston Ventures, a private investment group which specialises in media companies, has owned Motown for the last five years.

It appointed PolyGram its exclusive US distributor in September 1991 and its licensee for the rest of the world in January 1992. Mr Lévy said both agreements were due to end in just over a year. "After that the company would have been available to everyone and I thought it better to make a pre-emptive offer," he said.

GM spurns VW chief's attempt to defuse quarrel

By Christopher Parkes in Frankfurt

MR Ferdinand Piëch, Volkswagen chairman, has suffered a further setback in his attempts to defuse the company's row with General Motors.

Following Mr Piëch's attempts to initiate contacts with GM last week, Mr Jack Smith, president of the US car group, informed Mr Piëch in a letter received yesterday that all future communications on the affair should be in writing and with Mr David Herman, chairman of Adam Opel, GM's German subsidiary.

Meanwhile, the first cracks have appeared in the VW supervisory board's hitherto solid backing for Mr José Ignacio López de Arriortúa, former purchasing chief at GM and now VW production director.

Mr Klaus Volkert, who represents the workforce on the board which oversees and appoints top management, said if charges against Mr López seemed likely, he would withdraw his support.

Mr Herman has told Mr Piëch he must publicly withdraw insinuations that Opel could have tampered with evidence in the industrial spying case which has wrecked relations between the two concerns. Withdrawal was a condition of further contacts, Mr Herman said on Monday night.

Late last week, a day after he made a series of outspoken attacks on GM, Mr Piëch's public relations team revealed that he had telephoned Mr Smith with the aim of opening talks.

GM officials, caught unawares by the "initiative" – they were unable to contact Mr Smith, who was away on leave – have now used it to try to force Mr Piëch into a corner.

The VW chief has been under intense pressure from the Bonn government and colleagues in German industry to seek conciliation after his outspoken statements last week, which were widely seen as damaging Germany's reputation.

Mr Piëch said last week he regarded the confrontation

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Piëch qualifies profits target, Page 15

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هكذا من الأصل

Economists bewildered by Bundesbank rate cut

By Andrew Fisher in Frankfurt

THE BUNDESBANK yesterday further cut the securities repurchase (repo) rate as a prelude to mopping up excess liquidity generated by last week's unprecedented currency turbulence.

As with several recent actions of the German central bank, economists expressed some bewilderment at its decision to lower the repo rate to 6.80 per cent.

Last week, the Bundesbank caused chaos in the currency markets by failing to follow up a cut in the repo rate from 7.15 to 6.95 per cent with a cut in the discount rate. After its council meeting on Thursday it did announce a cut in the Lombard rate by half a point to 7.75, a move which failed to appease markets.

Mr Klaus Baader, European economist at UBS Global Research in London, said the bank's move yesterday was "a surprise". He said he found it curious that the bank had not seen fit to lower the discount rate last Thursday – as expected in financial markets – but was now ready to cut a rate which it regarded as more important.

Mr Helmut Schlesinger, president of the Bundesbank, said on Monday that the repo rate was more relevant to monetary policy than the discount rate because it affected a monthly volume of funds three times as large at DM150bn (£58.3bn). Repos are used by banks for 14-day refinancing, though the Bundesbank also requested bids on 28-day variable rate repos.

At Monday's news conference in Bonn, Mr Schlesinger said the repo rate had come down by around three points since last September. The latest reduction, affecting funds allocated at today's tender, puts the repo unusually close to the discount rate level.

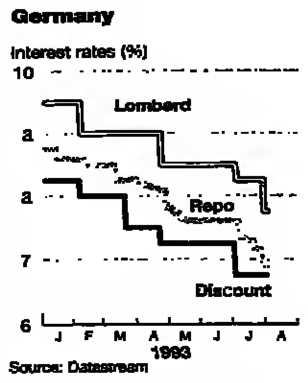
Some DM75bn of funds comes up for renewal today. But the Bundesbank is expected to reduce its allocation of new funds sharply – perhaps by some DM25bn – in order to drain liquidity after the inflows caused by support for the French franc.

Money market rates fell yesterday as funds generated by the intervention came on to the market. Call money was traded at around 6.5 per cent, down from just below 7 per cent on Monday.

Mr Johann Wilhelm Gaddum, a Bundesbank director, said on Friday the bank would not act to stop money market rates falling below the 6.75 per cent discount rate if intervention in the European monetary system led to a flood of liquidity.

Germany

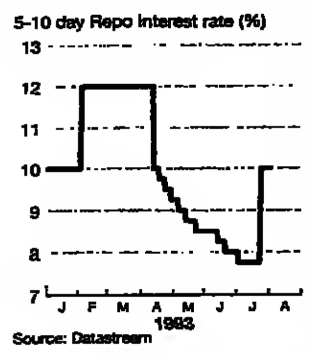
Interest rates (%)



Source: Datastream

France

5-10 day Repo interest rate (%)



Source: Datastream

The Bundesbank must neutralise this inflow to minimise the impact on money supply and thus on inflation, both of which are still growing faster than it likes. For this reason it has been reluctant to cut official interest rates faster.

John Ridding in Paris adds: The signals from the French bond and money markets suggest that investors are cautious about the prospect of rapid interest rate cuts by the French government.

The markets have taken their lead from statements by Mr Edouard Balladur, prime minister, and by Mr Edmond Alphandéry, economy minister, that the government would not rush into interest rate cuts and that the stability of the franc remains a priority.

Economists in Paris said tha first step towards a reduction in interest rates would be the reintroduction of 5-10 day borrowing facilities, suspended last week in an attempt to bolster the French financial authorities' defence of the franc. The 5-10 day rates were replaced by an overnight borrowing facility, tha rate of which was raised from 7.75 per cent to 10 per cent.

"I think we could see 5-10 day borrowing reintroduced by tha beginning of next week at a rate of 7.75 per cent" said Ms Marie-Owens Thomsen, international economist at Midland Global Markets.

But most economists felt the government would not move to cut the official intervention rate – which sets the floor for money market interest rates – from its current level of 6.75 per cent until the franc shows signs that it has stabilised following the widening of exchange rate fluctuation bands on Monday.

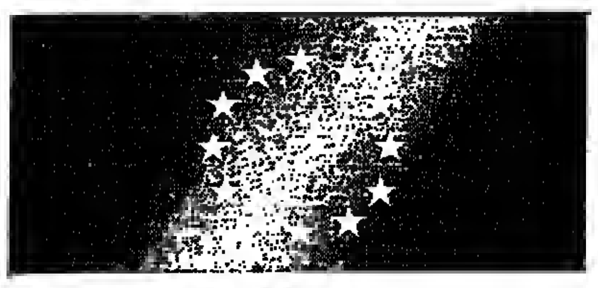
The message from the bond markets reflected this view. Four-year government bonds, for example, saw yields increase by about 14 basis points to about 5.62 per cent, reflecting a more cautious outlook on reduced borrowing costs.

In the money markets, overnight borrowing rates remained relatively stable at between 11 and 13 per cent, sharply down on last week's peak of almost 40 per cent at the height of the assault on the franc. One month and three month rates were about 9 per cent and 7.5 per cent respectively.

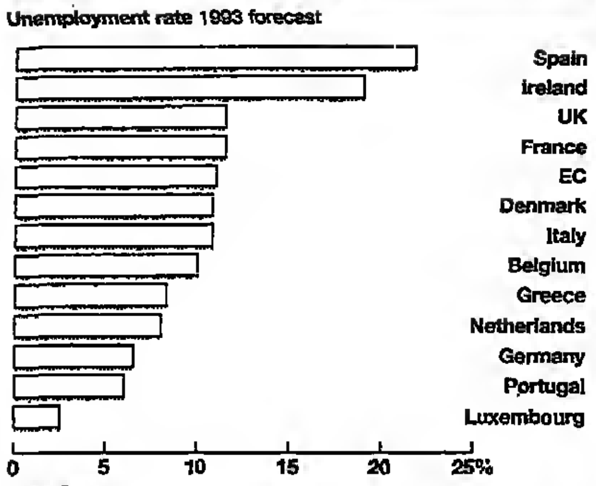
The bond futures market, however, indicated expectations that French interest rates will ultimately fall. The Paris Interbank Offer Rate futures contracts show that the markets are anticipating three-month interest rates of just over 6 per cent in September and 5.2 per cent in December.

EC ECONOMIES - THE OPPORTUNITIES AND RISKS

Europe's economic priorities

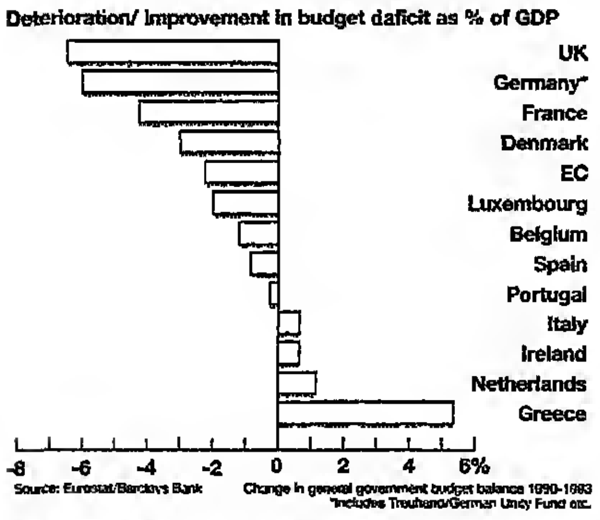


Unemployment rate 1993 forecast



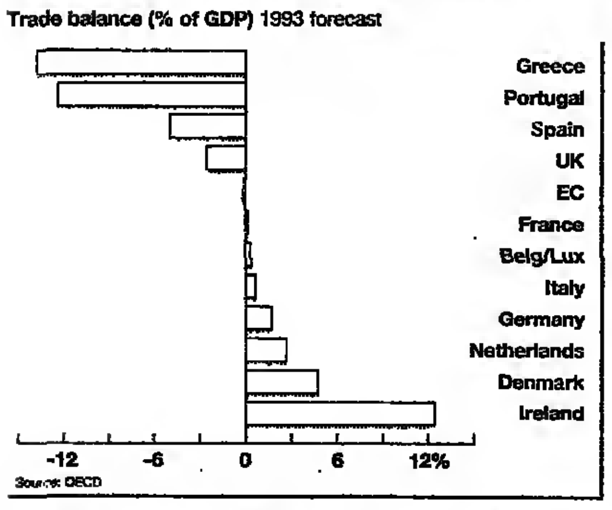
Source: Eurostat

Deterioration/ improvement in budget deficit as % of GDP



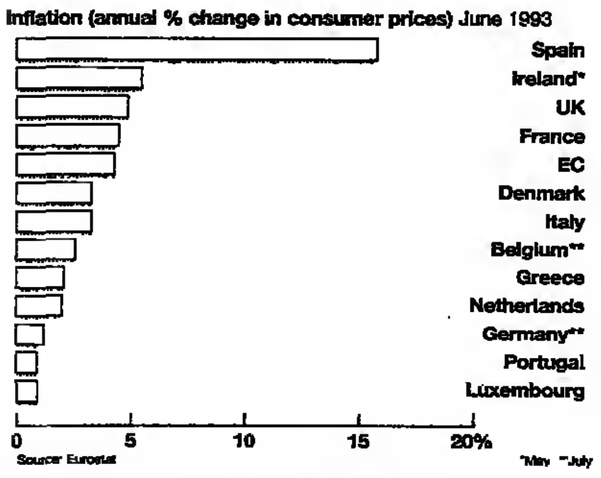
Source: Eurostat/Barclays Bank. Change in general government budget balance 1990-1993. *Includes Treuhand/German Unity Fund etc.

Trade balance (% of GDP) 1993 forecast



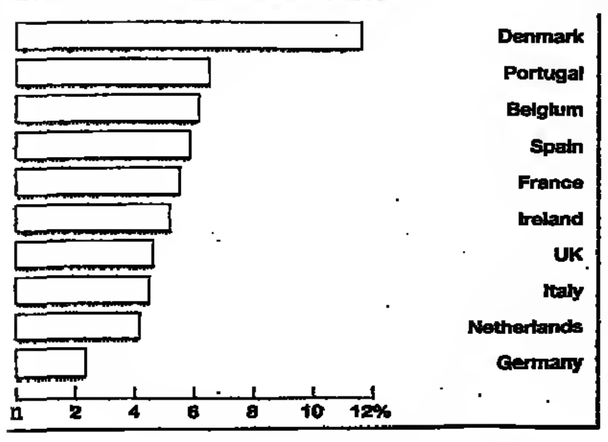
Source: OECD

Inflation (annual % change in consumer prices) June 1993



Source: Eurostat. *May **July

Real short-term interest rates June 1993



BELGIUM/LUXEMBOURG

Belgium has long prided itself on being a member of the "hard-core" currency club built around the D-Mark, writes Lionel Barber. But the explosion in the ERM could be a mild plus for the Belgian economy which remains stuck in recession. Sixty per cent of Belgian GDP comes from exports, and 75 per cent of those exports are within the EC. If the new ERM flexibility spells lower interest rates and a pick-up in EC growth, Belgium will benefit.

Luxembourg, which has a currency union with Belgium, would also benefit from lower interest rates. But this prospect must be offset against the disappointment of being excluded from the German-Dutch bilateral agreement to maintain the D-Mark/guilder parity. Luxembourg's commitment to price stability is the key to its appeal as a financial centre.

Belgium's big economic problem is the public debt, roughly equivalent to 125 per cent of national output. The deficit has been the subject of tense negotiations within Belgium's fragile coalition government this past week. The discussions produced a commitment to cut BFr33bn (£620m) from next year's public spending plans. Officials acknowledge the talks are critical to persuading financial markets that their faith in Belgium's *franc fort* policy remains justified.

The need for new credibility has grown after the central abandoned, reluctantly, its three-year-old policy of linking the Belgian franc to a 0.25 per cent margin of fluctuation with the D-Mark. Mr William De Vijlder, a strategist at Générale de Banque, said the central bank appeared to have accepted that the current fluctuation margin may, temporarily, have to be higher. Yesterday, it was intervening around BFr21.40, he said.

DENMARK

When Mr Erik Hoffmeyer, Danish central bank governor, explained on Monday why the krone had been subject to speculative attacks – although "fundamentally it is the soundest economy in Europe" – he referred to the country's large foreign debt, accumulated in the 1970s and 1980s, writes Hilary Barnes. Past policy failures explain why the government and the central bank have strongly resisted a devaluation and why there has been little pressure for one from exporters.

Denmark committed itself to a strong krone policy in 1982 after a period of high inflation, frequent devaluations, a large central government budget deficit and persistent large deficits on the current account of the balance of payments under a succession of Social Democratic party governments. Considerable political capital was invested in the strong krone policy, which brought gradual dividends with lower inflation (under one per cent over the past 12 months) and, from 1989, a surplus on the current account.

When the Social Democrats returned to power at the head of a coalition government in January after more than 10 years in opposition it was vital that they showed there would be no return to the pre-1982 policies. They saw off a speculative attack on the krone in the spring and put up a stout defence again last week. Since Sunday night interest rates have not been lowered and a tight hold on liquidity has been maintained, to punish speculators who built up positions against the krone in July. Yesterday it was charging 25 per cent for one-month lending to the commercial banks.

FRANCE

Prime Minister Edouard Balladur might be loath to admit it, but the demise of his treasured *franc fort* policy may be exactly what the sluggish economy needs, writes Alice Rawsthorn. For two years the economy has been burdened by high real interest rates depressing consumer spending and industrial investment. Until last autumn companies could count on export growth to compensate for poor domestic demand, but exports have been hit by the franc's strength since last September's currency crisis.

Interest rates have fallen since the conservatives took over in March, with the Bank of France's official intervention rate tumbling from 9.1 per cent to 6.75. But these were not enough to improve domestic demand, or to curb unemployment which hit a record 3.18m, or 11.6 per cent, in June.

The decision to widen the ERM bands should enable the government to cut rates more aggressively. The franc's relatively robust performance for the past two days suggests it should be able to avoid a dramatic decline. Broker James Capel expects the official intervention rate to fall to 4 per cent by the year's end.

This should help to cut companies' financial costs. Exporters ought to gain ground in relatively strong currency markets such as Germany, the US and UK. But industry has so much surplus capacity that an increase in investment is not expected before next year. Consumer demand could recover sooner, given higher savings ratios, but confidence is unlikely to recover while unemployment rises.

GERMANY

In the words of Mr Günter Rexrodt, German economics minister, the weekend shakeout offers a "breathing space". That will allow Bonn and the Bundesbank to concentrate on the country's most intractable problems: the inter-related issues of the control of public spending and inflation, writes Christopher Parkes.

On balance any further loss of competitiveness due to the D-Mark's appreciating against currencies in its main customer countries – notably France – is expected to be short-lived and relatively unimportant. What is important is that manufacturing industry, largely re-equipped during the late eighties and the unification boom, is well-armed to respond more quickly than competitors to any upturn in demand. But unemployment will probably continue to rise as industry counters recession and its built-in structural problems.

The weekend decisions removed the need to support weak ERM currencies, one source of distortion in German money supply. According to the central bank's calculations, above-target growth in M3 is a sure indicator of a future increase in inflation, expected to average 4 per cent this year and 3.5 in 1994.

The biggest danger to money supply is state borrowing to fill gaps in government budgets caused mainly by the need for transfers to support the eastern Länder.

The government is committed to federal spending cuts of DM25bn (£9.7bn) next year, and while the Bundesbank is reluctant to increase the pressure publicly, it is clear that even more rigorous and longer-term consolidation is necessary.

Bonn has a chance to concentrate on the main domestic task in hand, unhampered by the monetary and political constraints of the EMS. The Bundesbank, aware of the temptations to governmental largesse in the run-up to next year's federal and state elections, will not hesitate to punish any wavering by tightening monetary policy.

GREECE

The temptation for political leaders, as the timetable for monetary union appears to recede, is to relax the effort for fiscal virtue and go back to bad old ways, writes Kerin Hope.

As the only EC state never an ERM member, Greece has stayed on the sidelines. Yesterday, central bank officials made clear that policy would not change: the drachma will continue to depreciate slowly against the Ecu; the target for the year is about 6 per cent.

To the government's relief the annual inflation rate of around 16 per cent has enabled it to postpone the drachma's entry to the ERM, due to happen as soon as inflation dropped to 10 per cent. With the new margins the drachma could join, in theory, but a senior banker said yesterday: "One major reason for joining was that the disinflationary effect would increase confidence in Greek monetary policy. But with a potential swing of 30 per cent, that's no longer the case."

A bigger worry will be keeping the medium-term stabilisation programme on track. With an election due in 10 months at the latest, politicians are demanding sharp increases in public spending. But a faster decline in interest rates is all the government can realistically offer, assuming that rates fall elsewhere.

Even then, there is limited scope, given the need to raise about Dr160bn (£453m) every month to finance the public debt, now over 120 per cent of GDP. Ms Miranda Xafa, economic adviser to the prime minister, said: "We simply can't afford to ease up on fiscal discipline, just because Maastricht looks further away today."

IRELAND

Any easing of Irish monetary policy is considered unlikely, despite the punt's much greater freedom of movement, writes Tim Coone.

The government's main concern is maintaining investor confidence in the punt – around 30 per cent of Irish gilts are held overseas – and preventing the value of foreign borrowings rising any higher than the present level of around I£11bn (£10.4bn).

According to the finance ministry, the punt will be pegged to a trade-weighted index of currencies, mainly sterling, the D-Mark and the US dollar. A policy review is planned in six months. "At all costs we will be aiming to squeeze out inflation," said a spokesman.

Restraining public sector borrowing and pay will continue to have high priority. Irish interest rates are now at a 30 year low. "If there is a consensus in Europe that rates generally should fall further, then we will follow that trend, but we will not be cutting rates otherwise," he said. The principal concern about easing interest rates further would be the danger of triggering an outflow of funds.

Mr Chris Johns, chief economist at the Bank of Ireland, said: "There has been a very bad experience here from the late 1970s and early 1980s with the go-for-growth approach, with the result that the monetary authorities are now very cautious and conservative. There is no strong constituency here.... that would argue in favour of a go-for growth strategy now."

ITALY

After sitting out the recent turmoil, Italy's politicians are assessing the impact of wider margins for the economy, writes Haig Simonian.

The lira has floated since last September's devaluation and suspension from the ERM. That has given exporters a competitive advantage; the lira is now more than 22 per cent below its pre-devaluation level against the D-Mark.

The new ERM bands could cost Italy some competitiveness against countries with weaker currencies, such as France. Exports have been one of the few bright spots in an otherwise gloomy economy overshadowed by domestic recession. Unemployment reached 13.6 per cent in the first quarter, up from 11.3 per cent a year earlier, and redundancies are accelerating, notably among small-and-medium sized businesses.

Last month, the Bank of Italy cut the discount rate to 9 per cent, the lowest level since 1976, but industrialists are pressing for further cuts.

The lower lira has had a negative side. Inflation, which fell to 4 per cent earlier this year, is expected to reach 4.4 per cent in July. The domestic recession has depressed price rises, but it was only a matter of time before the weaker lira started to feed into prices, given Italy's dependence on imported raw materials. In the longer term, the impact will be attenuated by last month's deal between unions and employers on wage reform.

But the virtual collapse of the ERM will undermine one of the most powerful arguments used to justify tough policies to bring down the budget deficit. Ministers regularly referred to the "external discipline" of economic and monetary union to justify higher taxes and lower benefits.

NETHERLANDS

The continued link to the DM in the old 2.5 per cent band is seen as vindicating "strong guilder" policies of the past decade, writes Ronald van de Krol. The Netherlands expects low inflation by maintaining the link, although it will probably try to lower interest rates independently of the Bundesbank. This may be small consolation, however, to Dutch companies which could lose exports because of the effective devaluation of other EC currencies. However, 30 per cent of Dutch exports go to Germany. Short term, Dutch exporters will be at a disadvantage, raising the prospect of an acceleration in unemployment.

Many companies must now choose between accepting a loss in market share or trimming profit margins to retain business overseas, says the industry federation.

Exporters to Germany will face heightened competition in that market from companies in weaker currency countries. They will also encounter difficulties in other EC markets, which together account for half of all exports. Sectors bracing for the new challenge include livestock and meat, traditionally dependent on Italy and Belgium.

One benefit, though not easily quantifiable, is continued investor confidence in the guilder, a legacy of more than 10 years' commitment to pegging the currency to the DM.

PORTUGAL

"We shall carry on as if nothing had happened," was how Mr Miguel Beleza, central bank governor, reacted, writes Peter Wise. He was making clear he thought the government should maintain a stable currency, a tight monetary policy and rein in budget spending to maintain the fight against inflation. Mr Jorge Braga de Macedo, finance minister, agreed, with a laconic "global economic policy remains the same".

Most economists believe the ERM changes will benefit Portugal in the short term but could bring difficulties in the medium to long term. One leading bank's chief economist saw greater scope to reduce high short-term interest rates. This would stimulate greater corporata investment, helping the economy out of recession more quickly. Escudo devaluation would also help exports.

But economists fear inflation will again start to pick up from the fourth quarter, when the target is an annual average of 6-7 per cent.

The lifting of the immediate threat of speculativa attacks on the currency has eased pressure to maintain the escudo's parity, and independent economists expect the government to ease their tight rein on budget spending, in spite of Mr Beleza's warning. The budget deficit is close to 6 per cent this year, against a 4 per cent target. Few believe tha 3 per cent objective for 1994 is attainable.

"There seems to be a yearning in industry for a return to Portugal's old 'crawling peg' system of devaluation," said one foreign consultant. "It seems likely the government will use the 15 per cent scope it has to let the escudo slide down at least to a certain level." The parity most economists see Portugal aiming to maintain is with the Spanish peseta.

SPAIN

Yesterday was a happy day for Spanish officials watching the peseta's performance following the ERM shake-up and an early morning cut in the Bank of Spain's benchmark intervention rate, from 11 per cent to 10.5, writes Peter Bruce. It rose strongly against the D-Mark, igniting hopes that it could withstand further cuts later in the year.

The authorities will be cautious in cutting rates and the ERM adjustment is no guarantee of further falls, nor of improvements in unemployment or the country's widening deficits. But by taking the heat off the peseta, the new ERM rules enable economic managers to turn from the constant threat of monetary turmoil and to begin putting policies in place to halp pull the country out of recession.

Deeper interest rate cuts will probably depend on government success in negotiations with unions and employers on an emergency incomes policy and the extent to which it is prepared to cut social spending. Wages growth has become increasingly isolated as the prime cause of a stubborn 4.9 per cent inflation rate. With unemployment at a record 22.2 per cent, analysts believe only a combination of structural (a wages freeze) and fiscal (a tough 1994 budget) measures can turn employment around. About 100,000 jobs have been lost each month this year.

Similarly the country's overall public deficit, targeted at about Pta2,253bn or 3.5 per cent of GDP this year, is out of control. Independent economists suggest it could reach 8.8 per cent of GDP next year if tough budgetary action is not taken now.

Cuts of Pta300bn this year and a further Pta500bn next year could draw the deficit – which includes the central government and the free spending autonomous regions – close to 6 per cent.

UNITED KINGDOM

The unwinding of the ERM is likely to give Britain the opportunity to cut interest rates earlier and deeper than expected, writes Emma Tucker.

Although the base lending rate has dropped from 10 per cent to 6 per cent since September when sterling was forced out of the mechanism, many economists argue that the economy, on its way out of recession, would benefit from further monetary easing.

The Treasury may choose to cut rates to cap the rise in sterling that is expected to follow an easing of interest rates across Europe. This would help keep the pound competitive, but might prompt nervousness at the Treasury and Bank of England about inflation. At present, inflation risks from low interest rates and a weak exchange rate are minimal. The headline inflation rate of 1.2 per cent is the lowest for 30 years with upward pressure on prices extremely weak after two years of recession.

The possibility of lower interest rates, combined with stronger exports in a faster growing Europe, would boost tha economy, but the effect would probably not be felt before next year. So far economists have been reluctant to upgrade their 1994 growth forecasts by more than ¼ of a point. Nonetheless, a more robust recovery, aided by growth in Europe, would help the government reduce its budget deficit more quickly than anticipated. In March, the Treasury forecast a public sector borrowing requirement of £50bn this financial year. This may be downgraded in the November forecasts.

A boost to UK manufacturing exports would also be good news for the jobless. The official count of unemployment has fallen for five successive months, but the total remains high at just under 3m.

President says planned deficit reduction of $496bn over five years is 'just the beginning'

Clinton praises compromise on budget

By Roger Matthews in Washington

PRESIDENT Bill Clinton yesterday praised the compromise budget deal worked out by Congressional Democrats and claimed it was the best that could be achieved.

Despite the changes made by Congress to his original proposals, Mr Clinton said he felt "quite good" about the outcome and promised that the $496bn (£332.8bn) planned reduction in the budget deficit over the next five years was "just the beginning, not the end".

"It is a good package, it is solid, it is real numbers," he said. The president was due to make a national, televised address later in the day as part of his campaign to win public support and put pressure on Democratic waverers in both the House and the Senate. Votes on the budget compromise will be held before the end of the week.

The bill is expected to be passed by the House of Representatives without too much difficulty, but the outcome of the Senate vote on Friday is still finely balanced. The casting vote of Vice-President Al Gore was required in June and since then Senator David Boren of Oklahoma has announced that he can no longer support the bill.

This means Mr Clinton has to persuade at least one of the six Democratic senators who originally voted against to switch sides. With four of the six thought unlikely to be swayed, efforts yesterday were being concentrated on Senator Dennis DeConcini of Arizona and Senator Richard Bryan of Nevada.

Both men have reservations about aspects of the legislation and said they would have to study details of the last-minute compromise before finally making up their minds. Republicans in the House and Senate are all voting against.

Democratic leaders continued to insist yesterday that they were confident the bill would pass. Failure to get congressional approval would be a severe blow to the Clinton presidency. Mr Leon Panetta, the White House budget director, said yesterday: "We are working on all of the votes. We are not taking anything for granted."

The main components of the compromise package are:

● Some $252.8bn would be cut in spending over the next five years and an additional $243.2bn raised in revenue. The bulk of the spending reductions would come from defence and by limiting the growth of Medicare, the healthcare programme for the elderly.

● The federal petrol tax would rise by 4.3 cents a gallon – the only item that would bear directly on middle-income families.

The average annual cost per car has been estimated officially at $21.28.

● The main weight of tax increases would fall substantially on families and businesses earning more than $200,000 a year.

● Personal income taxes would be raised from 31 per cent to 36 per cent for those with taxable incomes in excess of $115,000 a year, and $140,000 for couples, retroactive to January 1.

The government says that the higher rates would apply mostly to those with gross annual incomes in excess of $140,000 and for couple earning more than $180,000. There would be a 10 per cent surtax on taxable income over $250,000, giving a top rate of 39.6 per cent.

● The top corporate income tax rate would go up by 1 percentage point to 35 per cent for taxable income over $10m. The taxable part of social security benefits would go up from 50 per cent to 85 per cent for individuals earning more than $34,000 and couples receiving above $44,000.

● There would also be reductions on the portion of meals and entertainment spending that could be deducted as business expenses and the elimination of business deductions for federal lobbying expenses.

Lethargic growth likely to continue

THE US economy's lethargic growth is likely to continue in coming months, according to the Commerce Department's index of leading indicators which forecasts movements in economic activity over the next six to nine months, writes Nancy Dunne in Washington.

The June index, released yesterday, increased by 0.1 per cent, after a revised decline of 0.4 per cent in May. The index has been down or relatively flat all year. Wall Street economists had forecast a 0.2 per cent rise.

The index measures a basket of economic indicators, from unemployment benefit claims to building permits.

Five of the 11 indicators – including the average work week – turned down in June.

The index suggests that widespread laying off of workers is a continuing drag on the economy.

Since President Bill Clinton's jobs package was defeated by Republicans in the Senate, there has been no sign of a stimulus strong enough to lift the economy out of low growth, although the administration has clung to hopes that lower interest rates would do the job.

US executives and salaried employees have also been feeling the effects of slow growth.

Median salary increase budgets for this year and next are below 5 per cent for the first time since 1987, according to the Conference Board, the business information group.

"As companies continue to wrestle with fierce global competition and a weak and uneven economic recovery, the pressure to reduce and control costs continues to mount," said Ms Elizabeth Arreglado, a Conference Board salary specialist. "The modest salary increase budgets reflect this strategy."

Dutch fight bid to sink cargo system

Skippers say customers are skirting the 'barge bourses,' writes Ronald van de Krol

THE EASIEST way to spot a Dutch barge on the river Rhine is to look for the tell-tale signs of family life on board.

Lace curtains hanging in front of the windows of the living quarters, geraniums adorning the skipper's bridge and children playing in fenced-in areas on the ship's deck are all clues to the barge's Dutch origins.

More so than their counterparts in Germany, the river barges of the Netherlands are floating family businesses – as well as the ultimate in mobile homes. Over 80 per cent of Dutch barges are manned by husband-and-wife teams who live aboard and send their children to special boarding schools for barge families during the week. Like farms, the barges are handed down from generation to generation.

Now, however, some members of the Dutch fleet of skipper-owned barges fear that their survival and their very way of life could be endangered, and they have gone on strike in protest.

Their anger is aimed not only at looming liberalisation of Europe's inland waterway transport but also at the increased tendency of customers on the north-south route into Belgium and France to skirt the "barge bourses" which allocate cargoes among skippers in rotation and which ensure that freight rates do not fall below a minimum floor.

"Eventually, there won't be an independent operator left on the rivers. They'll be driven out by shipping companies," says Mr Jan Ardon, a skipper on the "action committee" of strikers and protesters.

For the past five weeks, protesters among the Netherlands' 4,500-strong skipper owners have blockaded locks, pelted their working colleagues with eggs and stones and generally attempted to disrupt traffic in a country that is criss-crossed by canals and rivers. Last Wednesday, 60 protesters seized an ocean-going Cypriot cargo ship in the port of Rotterdam for nearly four hours to support their demand that the "tourderole" system of cargo allocation for destinations in Belgium and France be declared mandatory by law.

The increasingly bitter protests started in June after a Belgian company, Prayon, halted its previous practice of finding transport for its phosphate cargoes through the bourse and signed a fixed contract with a single shipping company instead. The change means that one customer's annual freight traffic worth Fl 3.5m ($1.83m) has been lost to the traditional tourderole system, raising fears that minimum freight rates will eventually be undercut and then scrapped altogether.

Mr Barend Biesheuvel, former prime minister appointed to mediate in the dispute, made a concession recently by offering to make cargo allocations between the Netherlands and Belgium mandatory until the EC has worked out its plans for inland waterways.

But strikers rejected the plan because they fear customers will quickly sign up permanent shippers in the year it takes to get legislation through parliament. "What's the use of saving the tourderole system if there's no business left to divide?," Mr Ardon asks.

They also want the government to act forcefully to persuade the rest of Europe to get tourderole written into European law, despite EC opposition to horizontal price-fixing.

The strikers say 1,500 barges support their actions by staying at their berths and refusing to take cargoes. The stoppages and disruption are directed at dry bulk cargoes such as animal feed and iron ore. Barge-borne traffic of containers and liquid cargoes already fall outside the scope of the "skippers' bourses."

The Inland Waterways Transport Information Office, whose aim is to promote barge traffic, notes the dispute centres on only one route out of the Netherlands.

Traffic down the Rhine into Germany, the main barge artery in Europe, is unaffected, as these cargoes are wholly outside the tourderole system.

Within the Netherlands, only 18 per cent of cargoes are allocated through the bourses, mainly grains, feeds, artificial fertilisers and some coal shipments. Other cargoes, such as sand and gravel for the construction industry, are left to market forces. However, skippers say the presence of tourderole provides a safety net for all barge owners in all segments of the market.

Mr Ardon says skippers will continue protests for the rest of the summer if necessary. "Around this time of the year it's normal to be idle for three to four weeks while waiting for the next cargo," he notes. "We can hold out perhaps two or three weeks longer before the financial problems begin."

Ginsburg confirmed in top court post

JUDGE Ruth Bader Ginsburg was confirmed by the US Senate yesterday as the country's second woman Supreme Court justice, Reuter report from Washington.

The 60-year-old federal appeals judge from Washington was nominated on June 14 by President Bill Clinton. She replaces Justice Byron White, who retired at the end of June, on the nine-member court.

Judge Ginsburg should be sworn in within a few days so she can prepare for the start of the court's next term on October 4.

Mr Joseph Biden, Senate judiciary committee chairman, called Judge Ginsburg a consensus candidate who would be cautious and restrained in her decisions.

She joins Justice Sandra Day O'Connor, chosen by President Ronald Reagan and confirmed in 1981, as the only two women among the court's 107 current and former justices. She is expected to be a moderate on the court, helping other justices reach a consensus.

The vote for confirmation was 96-3. The only senators voting against her nomination were Republicans Jesse Helms of North Carolina, Don Nickles of Oklahoma and Bob Smith of New Hampshire. Mr Helms opposed Judge Ginsburg because of her support for abortion rights and increased rights for gays.

Ecuador loan claim dropped

WESTON Compagnie et Finance of Switzerland, one of Ecuador's senior bank creditors, has withdrawn its legal claim for repayment on $21m (£14m) of syndicated loans it had bought in the secondary market, writes Raymond Colitt in Quito.

In April Weston secured a pre-judgment order from a New York judge to freeze a small amount of Ecuador assets, including some funds of the state-owned oil shipping company Flopec and the central bank.

Mrs Ana Lucia Armijos, president of the monetary board and one of Ecuador's chief foreign debt negotiators, welcomed Weston's move.

Malcolm Rifkind, British defence secretary, examines the track of an armoured vehicle during a tour of the British base in Vitez, Bosnia, yesterday. He is on a two-day fact-finding mission in the former Yugoslav republic Reuter

Decision on Bosnia air strikes papers over Nato divisions

By Gillian Tett

THE Nato council's declaration yesterday that it was prepared to use air strikes to break the siege of Sarajevo, the Bosnian capital, was being digested by diplomats who warned that divisions remained among the allies and the United Nations about the nature and scale of such action.

"Everyone here is wanting consensus, and this morning's agreement is a step forward. But it is not at all cut and dried yet," admitted a diplomatic official in Brussels.

The agreement, hammered out after a long meeting of the Nato council in Brussels, proposes two separate scenarios under which allied air strikes might be used in Bosnia.

The first proposal, which received the broad backing of the allies last week, is to use Nato's air power to defend the ground troops stationed in Bosnia.

The second and more radical US-led proposal, which was unveiled early yesterday after 12 hours of discussions, would use air strikes to attack Serbian artillery positions around Sarajevo, to break the siege of the city and let humanitarian convoys through.

UN officials admitted that the logistics for the defensive air strikes were unlikely to be in place for another couple of days.

"We are ready to act, but it is a question of the ground controls," a Nato spokesman said, adding that the air strikes were likely to involve the 60 or so French, British, Dutch and US aircraft currently stationed at Italian air bases.

Nato officials also stressed that air strikes against the Serbian positions could not take place until the Nato council had held another meeting, widely expected to take place at the beginning of next week.

Although most of the allies appear to have overcome their earlier fears that air strikes could lead to retaliation against UN ground troops, some allied delegations, including Canada, are known to remain nervous about full-scale air strikes. Some French officials have indicated that they would prefer the allied action to go even further to establish and guard safe havens in the region.

'Everyone wants consensus but it is not at all cut and dried yet'

Meanwhile, uncertainty emerged on whether air strikes would require a fresh UN mandate.

Some Nato officials have insisted that attacks against Serb positions could be carried out within the current mandate.

However, international mediators in Geneva, piqued by earlier US proposals for unilateral air strikes, have insisted that any fresh decision could only be authorised by the UN secretary general.

With the Geneva negotiations on a partition of Bosnia appearing increasingly fragile, defence experts yesterday warned that air strikes were unlikely to provide a simple solution to the conflict.

Although most believe the allies could destroy the Serbian artillery that rings Sarajevo, given the relatively unsophisticated nature of the Bosnian Serb forces, they question whether they could do this before the Serbs inflicted a politically embarrassing degree of damage on the city or sought to retaliate against the UN troops stationed elsewhere in Bosnia.

Mr James Gow, lecturer in defence studies at King's College, London, said: "Taking out the Serbian gun positions is not straightforward but they can do it.

"The problem is, though, that that might not be enough. Their best hope is that this would force the Serbs back to the negotiations."

Building equipment sales set to decline

By Andrew Baxter

SALES of construction equipment in Europe are forecast to fall by 15 per cent this year, according to a grim assessment by the London-based Corporate Intelligence Group.

It comes only four months after the group predicted sales would fall by only 8 per cent this year, and reflects sharp downward revisions in forecasts for Italy, Spain and France.

Overall, the group predicts sales will fall from a slightly revised 96,656 units in 1992 to 82,708 this year.

Every country in Europe is forecast to register a decline, apart from the UK, where sales are predicted to rise 21 per cent.

The Italian market is expected to fall by 35 per cent this year to 10,230 units because of what the group calls "the political and economic impasse". Italy's corruption scandals have sharply reduced activity in the construction industry.

Spain – where the market is set to fall 29 per cent to 2,195 units this year – is "unable to solve its economic problems," says the group. In France, which is postponing spending on many big projects for the time being, the market could fall 25 per cent to 7,980 units.

The group confirms its earlier forecast that Germany, which accounted for nearly 50 per cent of European demand last year, is cooling off rapidly this year. Sales are forecast to fall 12 per cent to 39,110 units.

The German rental sector, fuelled by the post-reunification construction boom, is becoming rapidly saturated, says the group. Nearly all important products, apart from crawler excavators and articulated dump trucks, will suffer "serious" declines in sales this year.

However, the overall trend for 1994 is brighter. Outside Germany, unit sales will grow 7 per cent next year with improvements likely everywhere apart from Italy.

Germany, though, will suffer a further 13 per cent decline, leaving overall European sales down about 2 per cent from 1993.

Floods turn fury south of St Louis

THWARTED by St Louis's 11-mile concrete flood wall, the Mississippi turned on areas south of the city yesterday, Reuter reports from Missouri. Engineers were forced to break a levee to ease the pressure of the river or divert it.

The Army Corps of Engineers was keeping a close eye on the town of Prairie du Rocher, Illinois, where a section of a levee was leavened to try to divert floodwaters.

Crews on a barge used a crane to scoop gravel off the top of a 400-foot long section of the Fort Chartres levee to offer a path for floodwaters.

The hope is that flows over farmland parallel to the Mississippi from levee breaks to the north will either flow back into the river at that spot or at least slow down.

St Louis's flood wall, designed to withstand a 52-foot crest, held firm against the Mississippi which crested there on Sunday at 49.4 feet.

Thousands of people were still out of their homes in a residential area in south St Louis after a forced evacuation on Monday amid fears of an explosion from leaking propane tanks floating on floodwaters.

More than 9,000 residents in a one-mile radius of the 51 tanks have been evacuated since the capsules loosened from their moorings on Friday. But as the water receded, 48 of the tanks resettled into their concrete cradles.

Fyodorov says ministers exploiting banknote chaos

By Leyla Boulton in Moscow

MR Boris Fyodorov, the Russian finance minister, warned yesterday that conservative government ministers were seeking to exploit the chaos spawned by the central bank's cancellation of old banknotes last month to reverse radical reforms. Reformist ministers, meanwhile, were involved in self-destructive "intrigues".

"The government was never really united. The old guard are exploiting the situation and showing their old face," he said.

He cited in particular Mr Oleg Lobov, the first deputy prime minister for the economy, and Mr Alexander Zaveriukha, deputy prime minister in charge of agriculture.

The few genuine reformists within the cabinet were "not co-operating very much... they are very trained in intrigues". Mr Fyodorov said only he and Mr Anatoly Chubais, the privatisation minister, were sticking together in defence of policies such as tight spending and a free exchange rate.

Although he still wants an end to remaining central bank restrictions on the use of pre-1993 banknotes, Mr Fyodorov admitted that the main casualty of the central bank's crude monetary reform was "the credibility of the government, the president and the [market] reforms".

Having intervened to eliminate the confiscatory nature of the central bank operation, it was now difficult for President Boris Yeltsin, who had initially "not understood what he was being involved in," to cancel it, Mr Fyodorov said. But he expected Mr Yeltsin to stem the tide against reform when he chairs a special government meeting soon.

Mr Yeltsin eased the timetable for the exchange of old rouble notes and raised the amount of cash individuals could exchange from the original central bank limits.

Mr Fyodorov, who was in the US when the central bank announced a move which he would never have let through, finally intends to resign from his second, much more lucrative job, as Russia's representative at the World Bank in Washington.

He has been holding both jobs in parallel since joining the government in December. But he excluded resigning as finance minister.

"This is not a time to give up or give in to any pressures," he said, adding on the contrary that his tactics now were "to raise the heat, to make the fight for reform more acute". He said the worst thing that could happen is that he would be "ousted" in the fray.

Although the chairman of the parliament, Mr Ruslan Khasbulatov, has called for the punishment of officials "guilty" of the banknote operation, Mr Fyodorov said parliament was unlikely to dismiss Mr Viktor Gerashchenko, the central bank governor, when it meets on Friday.

Mr Gerashchenko, who initiated the banknote operation, was yesterday quoted as having admitted that he had not thought about the implications of cancelling small denomination banknotes – which even prevented people from paying for newspapers.

Mr Fyodorov said the central bank was not even carrying out its stated aim of weaning other former Soviet republics off the rouble.

RUSSIA HAS won a limited debt rescheduling from the London Club of commercial banks, requiring it to pay just $500m by the end of 1993 and postponing by five years the repayment of another $3bn owed to western banks this year, writes Leyla Boulton.

The agreement easing Russia's $24bn commercial bank debt, reached in Frankfurt in talks with representatives of western banks last week, was announced in Moscow yesterday. It coincides with renewed chaos over Russian economic reforms, sparked by the central bank's botched monetary reform last month.

Since debt talks started in December 1991 Russia has been postponing repayment on commercial debt through a series of three-month deferrals. "By saying we agreed these deferrals made them and us look good, even though they would not have paid us anyway," one western banker said.

Mr Andrei Vavilov, deputy finance minister, said nothing had been decided about rescheduling amounts which would come due next year. But if Russia pays the $500m this will mark the resumption of commercial debt servicing suspended when the Vnesheconombank, which used to service the Soviet Union's foreign debt, defaulted on payment. However, western bankers say Russia has been making payments to some banks all along – a practice the rescheduling is supposed to replace with equal treatment for all creditors.

Mr Vavilov admitted there were disagreements on the implementation of Russia's existing agreement with the Paris Club of government creditors. But he said Russia would pay a total of $3bn in debt servicing this year.

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Tough US line urged on air pacts

By Nancy Dunne in Washington

PRESIDENT Bill Clinton's advisory airlines commission is recommending a tough response to governments which violate bilateral aviation treaties with the US.

In its final report, approved on Monday, it urged multilateral negotiations on a range of aviation issues and enforcement of bilateral pacts "through all means, including renunciation and suspension of privileges and services when violations occur".

The commission cited France's termination of its US bilateral agreement and Chancellor Helmut Kohl's letter to President Clinton threatening termination of the German accord as "only two of the most prominent examples of the problems the US government faces in trying to preserve and expand competition internationally".

Bilateral pacts can no longer protect US interests, the commission said. "The increasingly contentious bilateral relationships already mentioned are resulting in agreements or *de facto* relationships either markedly more rigid and protectionist than before or seriously out of balance."

The commission envisages a free flow of cross-border airline investment. The US should approve foreign investment of up to 49 per cent voting equity in US airlines, but only "in the context of bilateral agreements which are reciprocal and enhance the prospects of securing the ultimate goal of pro competitive, multinational agreements. The foreign investor must not be government-owned, and the investment must advance US national interest."

Another report out this week, from the Economic Strategy Institute, an influential Washington think-tank, warns that overseas investment in the US airline industry has enabled high-cost foreign producers to dominate low-cost US companies. This erodes the US industry's competitive position and destroys US jobs.

Gains by British Airways from its investment in US Air will shift $350m (£234m) a year in revenues to BA from US airlines and cost the US economy 3,500 jobs, the report says.

Opening the US market to all foreign airlines could cost $4bn and jeopardise 40,000 jobs.

'Civilian glove for Nigeria's military fist'

Paul Adams reports on the latest twist in the country's muddled search for democracy

"PART farce, part tragedy, total confusion," commented a retired Nigerian diplomat after a weekend which saw a dramatic twist in his country's muddled search for democracy.

It would not be possible to re-run the annulled presidential elections held last June, President Ibrahim Babangida told Nigerians on Saturday. Instead, an interim government would soon take charge. He failed, however, to answer the question everyone was asking: when will the soldiers, in power since 1985, return to barracks?

There is growing suspicion that the move is not simply a further delay in the military government's handover to civilians, still officially set for August 27. Instead, it could be designed to extend Gen Babangida's hold on office well into the future.

Co-opted politicians drawn from two weak parties, lured by the massive oil-financed patronage that Gen Babangida dispenses, could help him put "a civilian glove over the military fist", as one Nigerian described it.

Such a ploy could exacerbate rather than resolve the country's political and economic crisis. Window-dressing will not improve the domestic standing of a deeply unpopular regime. Nor will it satisfy western governments and creditors, who have made clear that rescheduling the country's $34bn (£22.8bn) external debt depends not only on economic reform, but on the ending of military rule.

Some Nigerian analysts suggest that Gen Babangida is ready to go, but needs a safe way out. "A civilian government, yes, but one that he is certain will be able to guarantee his security, and not investigate allegations of corruption," as one put it.

Others fear the general has become wedded to power. He has postponed the transition to democracy three times before, but always giving a new date for the termination of military rule. This time he gave no deadline. "It confirms what we have been saying for three years now, that Babangida is not planning to go," says Mr Olisa Agbakoba, president of Nigeria's Civil Liberties Organisation.

"But what has changed is that the parties have collaborated in the extension of military rule. This means that they are no longer the focus of civilian opposition to this regime."

In the deal reached at the weekend, the executives of the Social Democratic Party (SDP) and the National Republican Convention (NRC) agreed unconditionally to form an unelected interim government – without knowing its powers, duties, membership or term of office, or whether Gen Babangida will remain president after August 27.

Resistance from other quarters has so far proved ineffectual. The Civil Liberties Organisation proposes a mass stoppage which will "paralyse the economy". But unemployment is high, the trade unions are weak and labour leaders seem as susceptible as the politicians to being co-opted.

Meanwhile, Mr Moshood Abiola, the SDP's apparently successful presidential candidate in the June poll, seems stymied, notwithstanding his considerable support in the predominantly Yoruba and mainly Christian south.

Though Mr Abiola is retaining his claim to the presidency, his own party executive is co-operating with Gen Babangida. Mr Abiola has denounced the interim government, described his party's participation as a sell-out, and told a crowd in Lagos on Saturday: "I am prepared to face the firing squad of President Ibrahim Babangida." But with Mr Abiola deserted by the SDP executive, Gen Babangida will not need to take such drastic action.

The weak state of the parties is hardly surprising. They are both creations of the government. Their credibility was already impaired because the original presidential candidates in October 1992 (in an earlier, also aborted, campaign) were banned from further political activity. Most of the influential political leaders have since remained behind the scenes.

But these leaders are still among the power brokers, and significantly seem to have opted to avoid confrontation – no doubt bearing in mind that there seems little likelihood of an effective challenge to the president from within the army.

Among these power brokers is the group of religious and community leaders known as the northern elders which met last Thursday. They agreed to the interim government, and sent a delegation to Abuja which included the two presidential front-runners last year, Mr Shehu Yar'Adua and Mr Adamu Ciroma.

Equally significant is the stance of the other main non-party pressure group, led by retired General Olusegun Obasanjo, who led Nigeria's military regime from 1976 until handing over to an elected civilian government in 1979.

Although the fiercest critic of Mr Babangida's presidency in recent months, he has given guarded support to the proposal for an interim government. "The country cannot be allowed to drift indefinitely. We have to move forward somehow," he said on Sunday.

"It's not the best solution, or even the fourth-best solution, but when all other sensible routes have been blocked by this president, I think we have to take it."

The sentiments go to the heart of the opposition's dilemma: confrontation is either not feasible or it is potentially destabilising, but going along with an interim government may be playing into Gen Babangida's hands.

If they are to placate the sceptics, Gen Obasanjo and his colleagues have to show there is a middle way: that participation in an interim government will curtail the president's time in office and not unwittingly extend it.

Reuter and Financial Times

Babangida (left): the big question left unanswered; Abiola: sidelined; and Obasanjo: only option

Japan parties to apologise for war aggression

By Robert Thomson in Tokyo

JAPAN will seek a full reconciliation with its neighbours by making a clear apology for aggression during the second world war and properly compensating victims, Mr Tsutomu Hata, leader of the Japan Renewal party, promised yesterday.

Mr Hata, likely to become deputy prime minister in Japan's new government, said relations with other Asian countries were still coloured by the past. The proposed coalition government believed there had to be an apology that would "act as an historical punctuation mark," Mr Hata said.

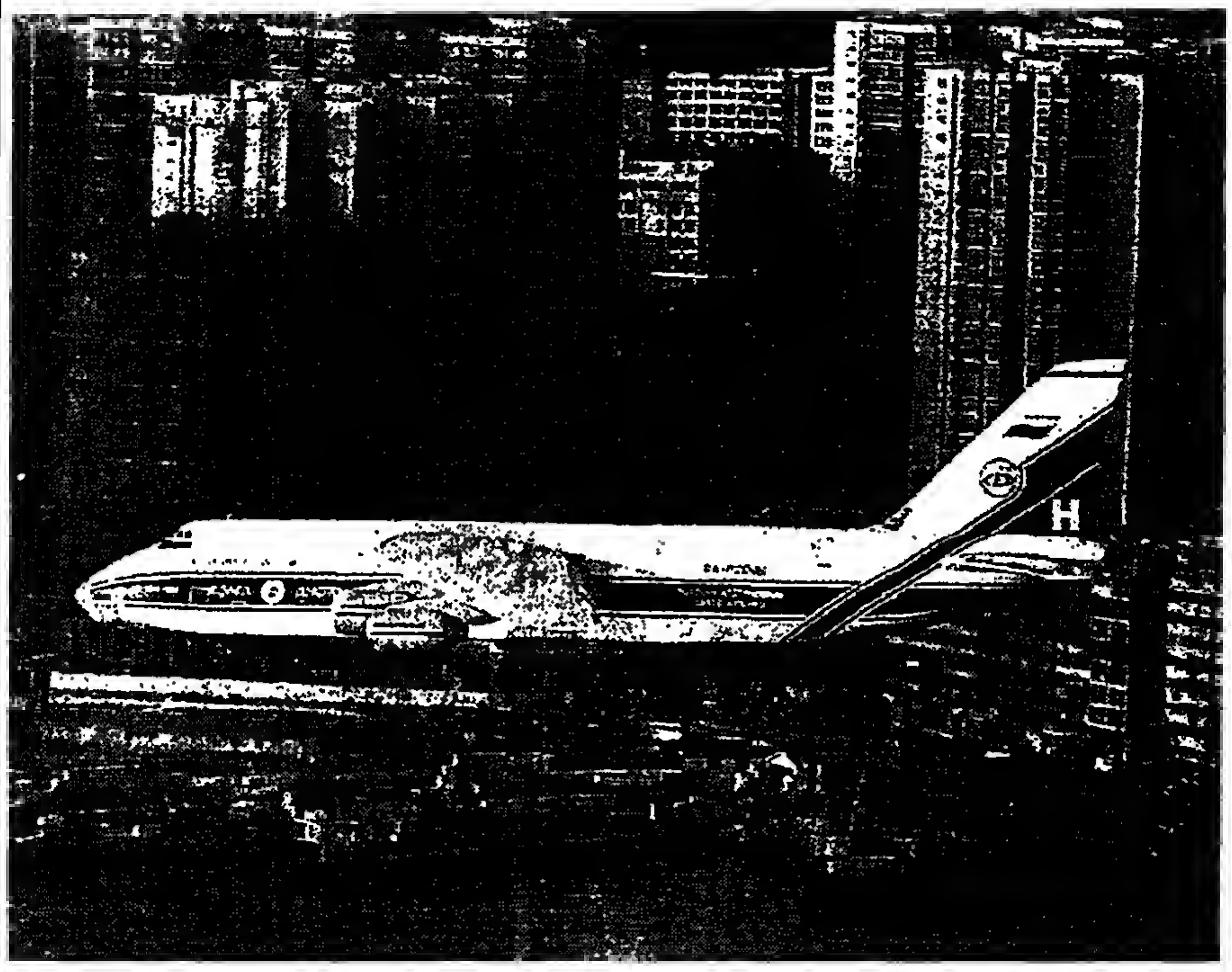
His remarks were echoed by Ms Takako Doi, the former Social Democratic party leader, who agreed yesterday to become speaker of the lower house of parliament. The SDP and the Japan Renewal party are members of the seven-party coalition likely to form a new government tomorrow, ending the Liberal Democratic party's 38-year grip on power.

Ms Doi, who will be the first woman to hold the position, said she had accepted the post in the hope of "reactivating" Japanese politics and making the political process more open and less corrupt. Many supporters wanted her to reject the offer because the coalition includes former members of the LDP, and suggested she form a new party of her own.

Japan's parliament is scheduled to vote tomorrow on a new prime minister, and the coalition leader, Mr Morihiro Hosokawa, is expected to have the numbers to defeat Mr Yohei Kono, the leader of the Liberal Democratic party, which is likely to be pushed into opposition after nearly four decades in office.

The coalition parties have made clear in policy statements that they consider the LDP has shown too little remorse over the war, and that a new administration would want a full reconciliation with Asian neighbours.

Mr Hata said the government had been unable to find the right words to apologise sincerely for wartime brutality, and the time had come to send a clear message about the past so that the country could take an appropriate political role in the region.



Reuter

A Russian Antonov An-124, one of the world's largest aircraft, approaches Kai Tak, Hong Kong, yesterday after gaining clearance to land. It will take sections of a British-donated Bailey bridge to Nepal where Gurkha soldiers will replace bridges lost in flooding

US optimistic on Mideast talks

MR WARREN CHRISTOPHER, US secretary of state, yesterday appeared to support Israel's view that the US-arranged ceasefire which ended Israel's bombardment of southern Lebanon last week could advance stalled bilateral peace talks with Syria and Lebanon, writes Julian Ozanne in Jerusalem.

"The fighting in Lebanon... was a reminder of how urgent our task is and how real are the enemies of peace," he said after meeting Mr Yitzhak Rabin, Israeli prime minister. "But it is also an indication of the fact that Israel, Lebanon and Syria are able to work together on a problem and I think take a step in trying to ensure that the peace process isn't derailed."

Jerusalem has expressed the hope recently that Mr Christopher would focus on making progress in talks between Syria and Israel over the occupied Golan Heights, seized by Israel in the 1967 Middle East war. However, analysts believe progress with Syria will be difficult so long as talks between Israel and the Palestinians remain deadlocked. There appeared little progress in yesterday's meeting between Mr Christopher and the Palestinians.

Several members of the Palestinian delegation, including Mr Haidar Abdel-Shafi, chief negotiator in the peace talks, boycotted the meeting with Mr Christopher, accusing the US of bias towards Israel.

After the talks, Mrs Hanan Ashrawi, Palestinian spokeswoman, said there had been no discussion of a US-drafted document which lays the ground for an interim period of Palestinian self-rule in the occupied territories.

Instead, she said, the Palestinians pressed Mr Christopher to consider reviewing the framework for the talks and to allow immediate discussion on the final status of a Palestinian entity.

NEWS IN BRIEF

Reed Elsevier in Chinese venture

REED Elsevier, one of the world's largest publishers, has become the first Western firm to establish a business information company in China, writes Tony Walker in Beijing.

Reed Information Services, the business publishing arm of the parent company, has established Reed Sino Asia to handle its China interests, which will include periodicals and business data.

Its first project will be Kompass China, which is an equity joint venture between Reed Sino Asia and Cetic, an affiliate of China's Ministry of Foreign Trade and Economic Co-operation.

Mr Peter Davis, chief executive of Reed Elsevier, said his company welcomed the opportunity to "operate in the world's fastest growing economy."

Mahathir attacks Western press

Dr Mahathir Mohamad, Malaysia's prime minister, has unleashed a strong attack on what he considers to be biased and ill-informed reporting on events in Asia by the Western media, writes Kieran Cooke in Kuala Lumpur

"Their main idea is how to create friction and instability, so that if we are unstable they can compete with us," said Dr Mahathir.

Dr Mahathir, sharply critical of the West on a number of issues ranging from the environment and human rights to matters of trade, questioned the motives behind the recent purchase of a Hong Kong-based TV satellite network by Mr Rupert Murdoch, the media entrepreneur.

Mr Murdoch recently paid $525m (£352m) for a 63.6 per cent stake in Hutchvision, the Hong Kong based parent company of Star TV. Star TV is Asia's leading satellite TV network.

See Editorial Comment

ABB wins Athens airport contract

A consortium led by Mannheim-based ABB Schaltanlagen, part of Asea Brown Boveri, has won a $420m (£282m) contract to provide and install all the electrical equipment for the new Athens airport at Sparta, writes Andrew Baxter.

The contract from the Greek government follows last week's selection of a consortium led by Hochtief, the German construction company, to build the airport. The complete project is worth about $2.3bn.

ABB companies are partners in the overall consortium, and will account for about $235m of the electrical work won by the subsidiary consortium.

Fiji selects Vodafone network

Vodafone, the UK mobile communications group, has been chosen by Fiji's state telecommunications company as a strategic partner to build the island's first cellular phone network, writes Andrew Adonis. Vodafone will take a 49 per cent stake in the joint venture.

It also plans to build a paging network on the island. The phone network will be built to the pan-European GSM digital standard.

No accord in chip talks

JAPAN and the US ended the two-day talks over semiconductor trade in Kyoto yesterday, with both sides reiterating conflicting opinions over setting share targets for foreign suppliers in the Japanese market, writes Emiko Terazono.

Officials at Japan's Ministry of International Trade and Industry said the US expressed satisfaction with Japanese efforts to increase market access to foreign chip makers. However, the Japanese side rejected calls for a 20 per cent average foreign market share for the current year.

Japan has been insisting that it was never committed to the 20 per cent market share goal for foreign chip makers stipulated in the 1991 bilateral semiconductor trade agreement.

Turkey's EC courtship lowers the trade barriers

John Murray Brown reports on the most radical reforms since the early '80s

IF TRADE officials in Brussels still have doubts about Turkey's commitment to open its markets, they might consider the case of Philip Morris, the US cigarette manufacturer.

Having invested nearly $500m (£330m) on a plant near Izmir – its largest single investment outside the US – the company now says it would have been cheaper to import its product from a European subsidiary.

Philip Morris's predicament is a measure of the impact of the sweeping tariff cuts, introduced in January, that put Turkey back on track for a customs union with the European Community by 1996.

Philip Morris, owner of the Marlboro brand, is something of a special case, investing in one of the most regulated industrial sectors in Turkey. But as the deadline approaches, Turkish trade officials expect a tug-of-war between government and industry across a whole range of sectors.

In March a joint EC-Turkish steering committee was established, with the government and particularly the foreign ministry enthusiastically extolling the merits of a customs union. In Ankara recently, Turkish business leaders from industries most vulnerable to import competition met to develop a strategy.

With a customs union, the business environment will be turned on its head. Foreign investors can no longer base their calculations simply on the attractions of Turkey's large protected home market. Issues of cost structure and export competitiveness have to be considered.

Moreover, for foreign multinationals already in the country, the tariff changes will force a complete rethink of sourcing policies, with a clear incentive to source imported raw materials and process inputs to the EC.

The trade picture has changed, too. Trading companies from Japan complain their Turkish buyers are turning to EC suppliers and in some instances even cancelling existing contracts.

For Turkish groups, the reforms will accelerate the trend to foreign collaboration. Many local companies, from consumer durable manufacturers to vehicle makers, are seeking foreign partners in an attempt to upgrade technologies and boost exports – ultimately the only defence against increased import competition.

Mr Hayrettin Yildirim, head of investment at the Treasury, says Turkish groups will have to integrate with foreign multinationals if they want to compete. He believes the days of family-owned holdings are numbered.

According to EC calculations, the cuts in import duties reduce effective rates of protection for the Community's industrial goods by an average 6.4 per cent. For the first time, EC goods and those from countries of the European Free Trade Association are provided with a clear trade preference over third countries, estimated at around 4 per cent – the crux of Philip Morris's complaint. The reforms provide greater transparency and scrap a number of non-tariff barriers such as stamp duty and a range of special levies.

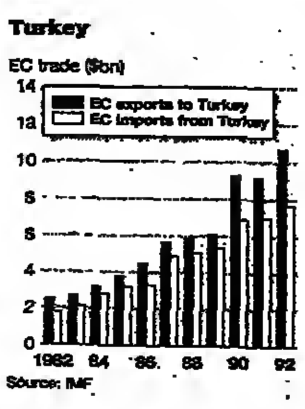
The moves represent the most radical trade reform since the late President Turgut Ozal embarked on Turkey's market-oriented policies in the early 1980s. The legislation, passed by parliament last summer, has taken two years to prepare and covers some 18,000 individual import items.

However, for industrial goods, effective protection rates remain around 15 per cent while for farm products, which are currently excluded from the negotiations, they are as high as 62 per cent.

Nonetheless, by 1996 rates are scheduled to be reduced to zero and Ankara will adopt the Community's common external tariff (CET) for goods from third countries. The EC lifted import restrictions on Turkish goods in 1973, although textiles are covered separately by a quota arrangement and there are various seasonal restrictions on certain food products.

But Turkey's task is not simply to satisfy the EC timetable agreed under its 1964 Association Agreement. It has to show that the arrangement is not in breach of the General Agreement on Tariffs and Trade.

The new regime also has to maintain sufficient tax revenues at a time of budget constraints. Ankara points out it will be the only country to enter a customs union without gaining EC membership and is seeking EC funds to compensate for an implied revenue loss of $3bn (£2bn) a year.



The adjustment for investors, both foreign and domestic, has been considerable. With inflation around 60 per cent and the lira having suffered a real depreciation, investors already complain their capital is being eroded.

As trade barriers come down, the traditional attractions of investing in Turkey change. Indeed, officials concede there may be a significant drop in foreign capital inflows. Dr Ali Tigrel, former head of the state planning organisation, warns that Turkey "cannot go into customs union with closed eyes", an increasingly common refrain in Turkish boardrooms.

In 1992, Turkey approved $1.8bn worth of foreign investment permits (though considerably less is realised). Moreover, most – the Istanbul based Capital Co-ordination Board estimates as much as 80 per cent – is targeted at domestic sales in protected sectors such as cement, cars and tobacco.

In the long run the exercise will force through new efficiencies and concentrate resources in the areas where Turkey has real competitive advantage.

Mr Yavuz Canevi, a former head of the central bank and now chairman of the Foreign Capital Co-ordination Board, says: "I don't think Turkey should be seen any longer as a haven for protected industries."

Brunei to invest $9bn in Vietnam

A BRUNEI company controlled by the younger brother of the country's sultan said it had won approval to invest up to $9bn (£6bn) in Vietnam, Reuter reports from Bandar Seri Begawan, Brunei.

Primal, headed by Prince Sufri Bolkiah, said in a statement the Vietnamese government had approved 19 projects, mostly in oil and gas exploration, over a 20-year period.

Primal will also venture into gold mining, build roads and bridges, and set up a petrochemical plant, the company said. The deal was signed at the weekend with officials from the Vietnam State Committee for Co-operation and Investment, Primal said.

Western diplomats said it would be Brunei's single largest investment in Indochina.

Brunei, the tiny oil and gas-rich sultanate on Borneo Island, has been stepping up overseas investments to help reduce its dependence on oil.

Leading through Strength in R&D

Mr. Fumio Sato, *President and Chief Executive Officer, Toshiba Corporation*

In support its core activities in 'Electronics and Energy', Toshiba Corporation has expanded into vast array of fields—information and communication systems and electronic devices to heavy electrical apparatus, and consumer products.

In each of the areas Toshiba has targeted, the secret behind the company's success, believes company president Fumio Sato, is the high priority placed on research and development.

By Russell McCulloch

Technologies—A Driving Force for Corporate Growth

McCulloch: We are all looking forward to a recovery in the world economy. What do you think is the most important factor for Toshiba's continued corporate growth?

Sato: Kisaburo Yamaguchi, a former president of Toshiba, once said that a manufacturer without R&D facilities is like an insect without antennae. Strong technological capabilities provide the basis, the driving force, for corporate growth. This means that the ability to create innovative products is a key factor determining corporate strength in this severe business climate.

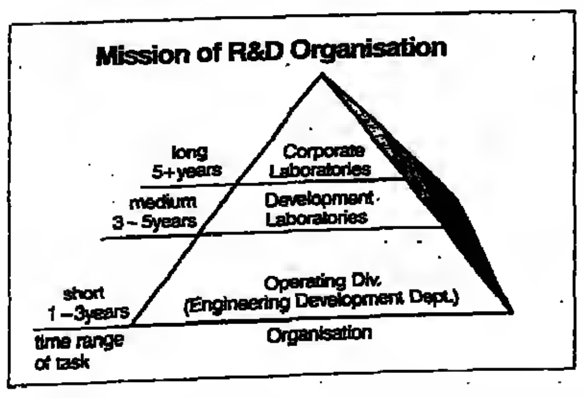
R&D also plays an important part in our "Three G" policy, covering Growth, Group and Global. To achieve growth, we have to direct our resources to facilitate expansion in promising areas. Our group policy is geared to enhancing group R&D, and so strengthen the overall capabilities of Toshiba Group. Our global target is continued promotion of globalisation, including expansion of overseas R&D and production. Here, we are also pursuing greater localisation in the management of our overseas subsidiaries, and realising our policies for competition, cooperation and complementarity through global alliances with major international companies.

Three-tier R&D Structure

McCulloch: How is Toshiba's R&D organised?

Sato: Our business interests are very diverse, ranging from information and communication systems and electronic devices to heavy electrical apparatus and consumer products. We see our field as "Electronics and Energy", from which we have derived the Toshiba slogan "E&E." We carry out research in the wide variety of technologies required to support "E&E."

Our R&D is organised in a three-tier hierarchy, with laboratories at each level carrying our different assignments. In the first-tier, the laboratories at our corporate Research and Development Centre conduct research from a long-range perspective of more than five years. That is, working on basic technologies that might be utilised in products in five or more years from now. The second-tier development laboratories belong to our different business groups. They are oriented to practical application of the technologies developed in the corporate labs, and are looking at commercialisation of new products within a three to five year time span. Final commercialisation, in under three years, is carried out by the engineering departments in each operating division.



McCulloch: It sounds as if the corporate laboratories are pushing forward essential research. Can you tell me more about their structure?

Sato: Well, in October last year we completed a major restructuring of corporate research and development. What we wanted to achieve was a further refinement of our capabilities. We wanted to break down barriers, promote inter-disciplinary activities and quicken our responses to fast-changing trends. We now have eight laboratories that make up the R&D Centre. They are Advanced Research, Materials & Devices Research, Communication & Information Systems Research, Energy & Mechanical Research, ULSI Research, Systems & Software Engineering, Environmental Engineering, and the Kansai Research Labs., which are responsible for R&D in information and communication technologies. Each of these is free to carry out their own projects. There is one more organisation I should mention. The Manufacturing Engineering Research Centre is responsible for developing production technologies used throughout the company. These are essential for reliable mass production of precision equipment.

McCulloch: What about numbers? How many engineers work in R&D?

Sato: Quite many. One of the reasons why so many Toshiba products enjoy world-wide recognition is because they incorporate the skills of our engineers and researchers, who number about 45 per cent of Toshiba Corporation's 75,000 employees. Researchers alone account for around 20 per cent of all employees. About 60 per cent of these work in the engineering departments, with the others equally divided among the R&D Centre and the development labs.

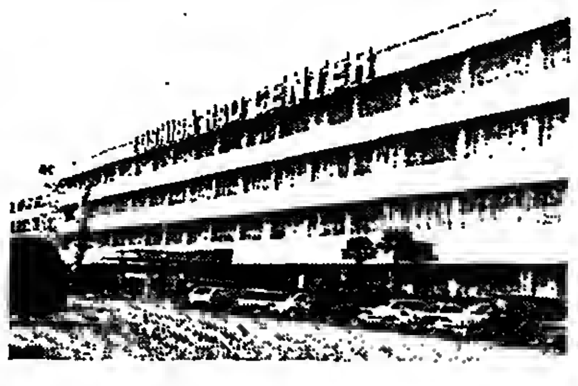
McCulloch: You have an extensive R&D structure in Japan. What about overseas?

Sato: We have four important overseas facilities. In January 1991, we set up the Toshiba Cambridge Research Centre in the UK to carry out basic research in semiconductor physics. Europe has taken the initiative in research in this field. In the US, our Advanced TV Technology Centre, established in May 1990, is working on new TV technologies, including High Definition TV. We also have US R&D facilities for software for information and communications systems and medical equipment.

Working towards a Synergy in Operations—Multimedia Business

McCulloch: Nowadays, we hear a lot about integrating technologies from different fields and about the impact multimedia will have. How is Toshiba responding to this trend?

Sato: Multimedia has become a buzzword



in the computer and consumer product industries. My understanding of the concept is that there are many different media that can carry and present information: video, text, visual images, sound. When they are handled as analog data—the way most media are still configured today—then each medium has its own analog form. That means different kinds of information can't be handled together, in the same way or within the same framework. Now we are seeing a "digital revolution" that will be more or less complete by the beginning of the next century. As with computers, all information sources will be fused in digitalised data and we will be able to process it in one, unified framework. Digitisation removes the differences between media, fusing them into the framework of multimedia. Consequently, more effective use of information will be realised and we expect our creativity to be dramatically enhanced.

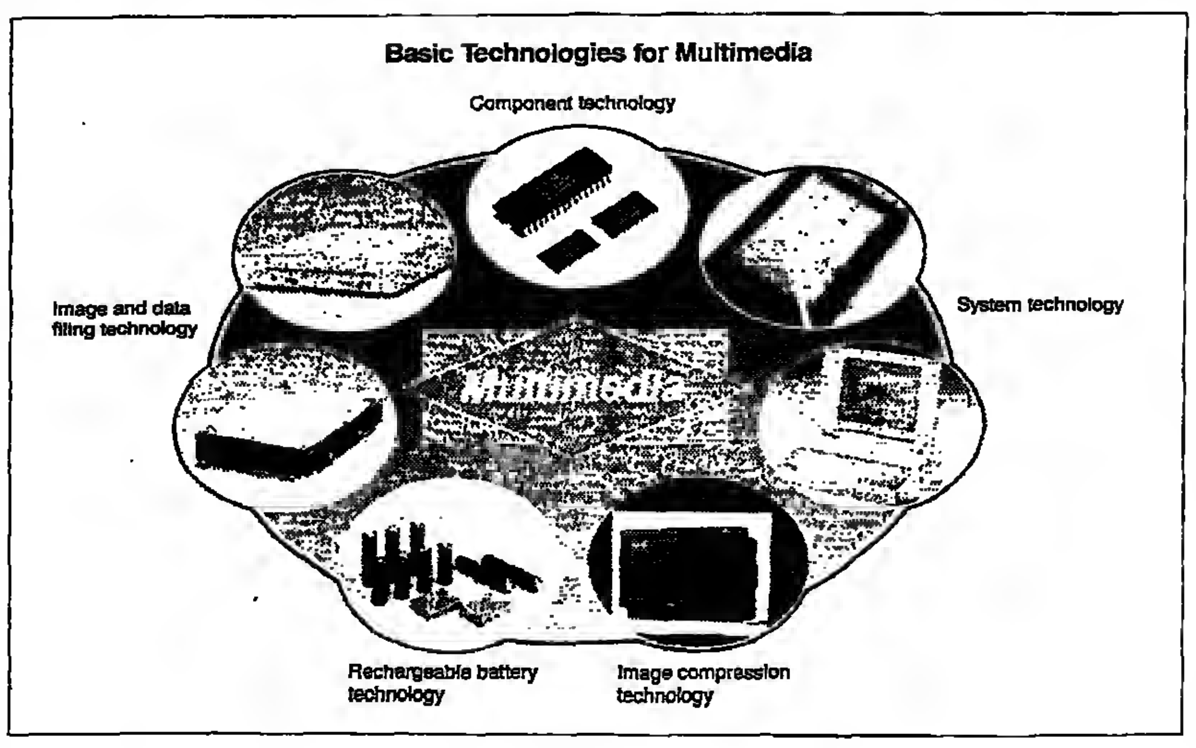
McCulloch: So, multimedia means a fusion of the information, communications, audio and visual imaging equipment fields?

Sato: That is right. And that is why I believe Toshiba is one of the companies best positioned to realise the full potential of multimedia. As a comprehensive electronics maker, we are working towards a synergy in the wide range of products and services we cover in our operations. Electronic components, image compression, image filing and battery technologies are indispensable to multimedia. Toshiba has already made major advances in all these areas.

McCulloch: Can you give me some details?

Sato: As I am sure you know, we play a leading role in the world semiconductor market. We have also pioneered the research, development and commercialisation of liquid crystal displays (LCDs). In image compression, we are working to establish a world standard for a compression format which can send and record images without deterioration. Toshiba is a major player in CD-ROM and optical disks, products that have a central role to play in large volume data storage. In batteries, a joint venture with Asahi Chemical Industry to develop and manufacture lithium-ion rechargeable batteries has just started operation. These are next-generation batteries that are small and light-weight. With Apple Computer of the US, Toshiba is working on CD-ROM based personal multimedia players.

Our efforts are not only tied to hardware. Our limited partnership with Time Warner gives us access to an extensive software library.



Directing Resources for Progress towards the 21st Century

McCulloch: My understanding so far is that Toshiba has an extensive R&D operation and is active in a wide range of technologies. Turning to the long-term, which business areas will you focus on for the 21st century?

Sato: We are great believers in the benefits of a highly advanced information society, and we are making every effort to support its realisation. We are investing our resources in information and communication systems, particularly in the areas of broadband communications, high-speed information processing and digital technologies.

Our electronic components business is one that will continue to be central to growth. As one of the world's leading IC manufacturers, we will maintain our competitiveness in the market by providing further high value added products. To take one example, we are working on the process technology for a future generation of 256 megabit DRAMs in a joint development with IBM and Siemens. We are also very active in promoting flash memory technology, through alliances with major companies. This is a very exciting product with a lot of potential, including the eventual replacement of hard disk drives. We are cooperating with IBM Japan in another key area, large-size colour LCD.

In the energy business, we are focusing on fuel cells and combined cycle power generation, which enhances heat efficiency by combining conventional thermal power generation with a gas turbine. These efforts allow us to play an active role in tackling conservation of limited resources and supporting environmental protection.

"E&E" Supports the 21st Century

McCulloch: What kind of integration technologies are necessary for the 21st century?

Sato: I believe that the depletion of resources and the destruction of the environment will be critical problems in the 21st century.

Look at transportation. Every day, countless trucks are on the roads, carrying masses of products, materials and food. They cram the streets, burn non-recoverable fuels, and damage the environment. Ultimately, they hurt economic development and deplete natural resources.

Toshiba is conducting R&D into a new type of transportation system, a super-conducting magnetic levitated train. Here we are able to combine our wide-ranging capabilities in electronics with transportation technology, and develop an answer to our traffic problems. This is exactly the kind of integration made possible by our commitment to "E&E."

I believe that Toshiba has a lot to offer the world, as we cover a wide variety of businesses through Electronics and Energy. We have a huge potential to contribute to the progress of world society. The way I see it, that contribution is Toshiba's mission.

In Touch with Tomorrow

TOSHIBA

Strong doubts remain over public willingness to take part in controversial privatisation of state group

Coal sell-off plan brought forward to next July

By Michael Smith

THE BRITISH government wants to sell the bulk of British Coal, one of the country's last state-owned heavy industries, by as early as next July in a privatisation process that is likely to break it up into at least two separate entities.

They also prefer "trade sales" to existing companies to a flotation on the stock exchange. This would be more likely to result in replacement of existing management with private sector managers.

There are also strong doubts about the public's willingness to take part in one of the most controversial privatisations the government has attempted.

The industry until now had expected British Coal to stay in the public sector at least until early 1995.

Although ministers have yet to decide finally on a break-up, they are strongly influenced by the privatisations of the gas and electricity generating industries where the creation of a monopoly and duopoly respectively has caused considerable controversy.

British Coal will counter that splitting the industry will weaken its bargaining power with the electricity generators, its main customers.

The Department of Trade and Industry's preferred timetable would entail a bill being presented to the House of Commons shortly after it re-assembles in October and a second reading put through before Christmas. That would open up the possibility that the sale of the main parts of British Coal could be effected in July to coincide with the bill being given royal assent that month.

The timetable has yet to be accepted by Cabinet. But DTI ministers will argue that as much time as possible be placed between the controversial sale and the next election.

Even if the fast-track timetable is approved, considerable sections of British Coal, including some pits whose long-term future is marginal, would remain in the public sector for some months and even years. Ministers have accepted the need for a residual body, possibly retaining the British Coal title, to run pits while it was determined whether there was a market for their future.

There may be several pits in that category. Most industry analysts expect the decline in the market to leave a long-term future for only about 15 of the 30 remaining pits. But the government could have difficulty closing the remaining 15 by the middle of next year, given the public outcry that its last closure plans prompted.

The residual body would also be in charge of most of the corporation's £3bn of liabilities, including those for subsidence and concessionary coal for former employees.

Ministers' preference for splitting up British Coal could allow them to satisfy the demands of an influential Scottish lobby group which wants all parts of the corporation north of the border to be hived off into a separate company.

The bulk of the corporation in England and Wales could divide easily into two organisations, one in central England and the other in Yorkshire, which are being set up by a restructuring already under way.

● National Power, the UK's largest electricity generator, is more likely to reduce its emissions of harmful substances by switching from coal to gas, than by installing more clean-up equipment at existing coal-fired power stations.

Mr John Baker, chief executive, said the high cost of equipment to remove sulphur from flue gases made it commercially logical to build more gas-fired plant instead.

He was launching the company's first environmental report showing that National Power is spending £1bn on power station clean-ups.

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Relaxation of rules on lorry weight condemned

By John Willman, Public Policy Editor

TRANSPORT GROUPS joined forces yesterday with business organisations and environmentalists to condemn the government's decision to allow 44-tonne lorries on routes to and from rail terminals.

New regulations to be introduced in the autumn will allow the use of the heavier lorries for such journeys, provided they are six-axle vehicles which spread the load evenly. The current limits are 38 tonnes for articulated lorries and 35 tonnes for lorries pulling trailers on drawbars.

The maximum limit in the rest of the European Community is 40 tonnes for normal lorries. 44 tonnes for lorries designed for "bi-modal" road and rail operation. However, some countries allow general use of the 44-tonne trucks.

Mr John MacGregor, Transport Secretary, said the new vehicles would be no bigger and cause no more wear to roads than existing vehicles. He predicted that the measure, combined with other incentives to move goods by rail, would reverse the long-term decline in rail freight.

The decision was immediately attacked as a missed opportunity to raise the weight limits for all lorries. The Confederation of British Industry said that allowing 44-tonne trucks more generally would have enhanced the competitiveness of British business.

The Freight Transport Association said that lifting the limit for all lorries to 44 tonnes would reduce the number of lorries on the road and save industry £300m in transport costs.

And the shipping industry complained that the restrictions would remain on lorries using ferries. Sir Nicholas Hunt, director general of the Chamber of Shipping, described shipping as "the transport mode most friendly to the environment".

Environmental pressure groups said the move was unlikely to reverse the decline of rail freight. Mr Tony Burton of the Council for the Protection of Rural England said that without close enforcement of the routes, it would increase the number of lorries in villages and on country roads.

The change in rules is designed to encourage industry to send more container freight by rail, according to Mr MacGregor. Current lorry weight limits do not allow containers to be loaded to their maximum weight capacity.

It should also make the use of "swap bodies" more attractive. These use special road trailers that can be driven straight on to swivel-action rail wagons without the need for costly lifting equipment. The reduction in handling costs should make rail more competitive over shorter distances.

City cites green benefits from long-term cordon

By Vanessa Houlder and Jimmy Burns

THE Corporation of London yesterday put forward environmental arguments to support its proposal that the anti-terrorist security cordon around the financial heart of the City should be made permanent.

The effects of the cordon had been "wholly positive," resulting in reduced pollution, less car traffic and greater freedom of movement for pedestrians, said Mr Michael Cassidy, chairman of the corporation's policy and resources committee.

The Corporation will cite these benefits in making a case for closing the roads on environmental grounds. It has decided not to attempt to persuade the government to allow the closures on security grounds – opponents argue that there is a risk of handing a propaganda victory to the IRA.

The environmental case for closing the roads may be disputed by surrounding boroughs which are concerned that the City's cordon will increase traffic problems on their roads.

The proposals for a permanent security cordon were part of a £5m package of anti-terrorist proposals, which are subject to public consultation until August 23. Other measures include efforts to co-ordinate companies' security systems, the launch of a pager alert system and the removal of litter bins. The police are also installing state-of-art cameras at checkpoints to photograph drivers entering the City at a cost of £500,000.

The cordon, introduced on a temporary basis on July 3, involves closing 18 roads and setting up vehicle checkpoints.

If surrounding local authority boroughs oppose the road closures, the proposal will go to a public inquiry. The issue would be decided by Mr John MacGregor, transport secretary.

City police said extra police presence on the streets and extra cameras had contributed to a fall in the crime rate by 16.4 per cent in the first six months of the year.

The Corporation argues that it has to be seen to take anti-terrorism measures if it is to retain the confidence of international businesses.

Security experts with experience of Northern Ireland say the extra measures cannot guarantee protection of the area from terrorist bomb attacks.

Only accurate intelligence giving advance warning of an IRA bombing operation – based on information from within the organisation and from surveillance – can guarantee that a bombing operation will be intercepted.

Roadblocks and checkpoints like those being considered on a permanent basis for the City have long been in place in Belfast, with mixed results. This year, the IRA has carried out a major bomb attack on Belfast's city centre, in spite of the security cordon.

No vacancies: one of the world's most regularly bombed tourist establishments – Belfast's Europa hotel – was closed yesterday after two years in receivership. A local hotel chain, which has bought the site for £7m, hopes to reopen it in about six months time

University sells technology arm to staff

By John Authers

LONDON'S City University yesterday sold a subsidiary company to its staff for £27m, in an unprecedented deal for a British university.

The university, which has an annual turnover of around £50m, will realise £20.25m from the deal, which will be spent on capital projects and on a long-term endowment for academic initiatives. The remaining funds raised will be split between the original inventors of the company's products.

City Technology, the company which has been sold, makes environmental monitoring equipment, and has benefited heavily from the passing of "green" legislation such as the Clean Air Act in the US. The company was started in 1977 to work on a project with the National Coal Board, but most of its business now comes from the US and Germany.

In the year to June 1992 it made a profit of £3.8m, all of which accrued to the university, on a turnover of £11m.

Its main products are electrochemical gas sensors, used to monitor toxic emissions from factories and by workers in enclosed environments such as mines and sewers. The company moved to Portsmouth in 1990, and now has a workforce of around 140.

3i, the venture capital group, led the equity syndicate which underwrote the buy-out in conjunction with CINVen, Montagu Private Equity, and Prudential. The university, advised by Kleinwort Benson, accepted the management offer ahead of several lower bids from the US.

Boardrooms often pay too little attention to corporate security, writes **Andrew Bolger**

Companies pay the price of security failure

BUSINESSES depend so heavily on Information Technology systems that any failure can be disastrous unless provision is made in advance to deal with it, according to the Institute of Directors.

Security should be a boardroom issue, and too many companies put it low on their list of priorities, an IoD booklet says.

Mr Peter Morgan, director-general of the IoD, believes several factors have made companies more vulnerable and more aware of risks to their security: "The rise of crime – from major fraud to vandalism and petty theft – poses a continuous threat to the business community.

"The advance of technology and vast expansion of its use has laid many open to severe disruption and losses due to error, malfunction and malicious intervention. The increasing use of highly combustible substances, not only in manufacturing but in office decor, increases the risk of fire."

The most common threat to IT systems is power failure,

● "A security guard sought fame by starting a fire and then extinguishing it. All the CO_2 fire extinguishers in the area had previously been emptied by night staff using them to create fizzy drinks. By the time the guard found a charged extinguisher, the fire was out of control."

● "Most computer viruses are very badly written and cause system malfunction almost as soon as they arrive. Contrary to popular opinion, their authors are not whizz-kids or super-brains, in fact if any of then ever became plumbers we would all probably drown within a week."

● "A fire and subsequent flood at a finance company destroyed every item of Information Technology equipment, including mainframes, minicomputers and personal computers. The immediate cost of this incident was £8m, but the long-term cost was reckoned to be in excess of £24m."

says Mr Tony Elbra of the National Computing Centre. A survey in 1991 showed that the average cost of a power failure was £9,000 and the highest cost was £30,000.

The booklet says fire and flood, although relatively rare, pose two of the more dramatic threats to IT systems, which are readily damaged by smoke.

Two recent fires, at Digital Equipment and at Mercantile Credit, illustrated how quickly the devastation could spread. Both buildings were rated in the highest category of fire protection, yet a large proportion of each was destroyed within a short time.

"Preventative measures, such as halon gas flooding, are not always useful against a conflagration. More than half the fires affecting computer installations start outside the computer room. They affect the computer installation only when they burn through the wall and allow the halon to escape."

Mr Elbra says the most common cause of fire in computer installations is arson.

Floods were often thought of as rare events, because cloudbursts and rivers overflowing do not occur frequently. However, last summer's flash floods in the south of France caused serious damage at the computer installations of a leading bank.

Many floods were caused by dripping taps or blocked drains. If these accidents happened over a holiday weekend, it could be five days before they were discovered.

"Mainframe computers are often sited in basements and their power cables placed under the floor. With the power supply being at the lowest point of the building, it does not take much water leakage to cause a failure. In one installation, a burst pipe caused a week's interruption of processing; the long-term cost of this incident was estimated at £1m."

The same NCC survey estimated that the total amount lost in the UK each year due to IT security breaches was more than £1bn. Tha risk of "hacking" – or unwarranted access – was faced by every organisation that allowed person to dial-in to its systems. The average cost of each hacking incident reported was £23,000, with a maximum of £50,000.

Computer viruses – rogue programmes – are described as facts of life which companies now have to learn to deal with. The average cost of a virus was estimated to range from £12,000 to £50,000.

Mr Jim Bates, a consultant, says even a little awareness of the problem can greatly reduce the risks: "Educate yourself and your staff about the threat that they pose. Equip yourself with at least two different but reliable anti-virus packages and ensure that they are installed and used properly."

Prof Peter Hammersley, of City University, London, points out confidential data is being carried around in portable computers, which can easily be mislaid or stolen. The loss of a portable computer carrying personal data – such as details of individual customers – could render the employer liable under the Data Protection Act.

Government urged to rejoin Unesco

By Rachel Johnson

BRITAIN should rejoin Unesco – the United Nations Educational, Scientific and Cultural Organisation – in spite of claims that pressures on public spending made such a move costly, a cross-party committee of MPs said yesterday.

The foreign affairs committee (FAC) said government warnings that it could not afford the estimated £11m cost of re-entering Unesco were "unconvincing". The MPs also accused the government of making policy "on the coat-tails of the US", which left Unesco in 1985, a year before tha UK.

Britain was a founder member of the organisation, set up in 1945 to promote international collaboration through education, science and culture.

The UK took observer status in 1986, citing worries about an over-concentration of personnel in Paris rather than in the fiald; administrative inefficiency; and duplication of work by other UN bodies.

The FAC said yesterday the government's objections had been overcome.

Britain in brief

Britain to invest $44m in astronomy

Britain is to join one of the decade's largest astronomy projects.

The Science and Engineering Research Council said almost all of the $44m it plans to contribute to the $176m Gemini project will find its way back to UK industry for high technology contracts.

The scheme is a collaboration between the US National Science Foundation and the governments of Argentina, Brazil and Chile. The National Research Council of Canada also hopes to join the project.

Two telescopes will be built, one in Hawaii and one in Chile. They will be used to study the chemical composition, large scale structure and origin of the universe.

More money in circulation

A sharp rise in the amount of money in circulation last month provided further evidence that the economic recovery is continuing.

Bank of England figures showed that M0, the narrow measure of money supply, grew a seasonally adjusted 1.5 per cent in July, the largest monthly rise since September 1988. It had risen only 0.3 per cent in May. Last month's increase lifted the year-on-year growth rate to 4.8 per cent, an improvement on June's figure of 4.4 per cent, and significantly above the government's zero to 4 per cent monitoring range.

Fewer jobless in Scotland

Unemployment in Scotland should continue to be lower than for the rest of the UK as a whole for the rest of this year and for 1994, although Scotland's rate of economic growth is likely to fall behind that of the UK, according to the Scottish Economic Bulletin, based independent economic forecasts.

Scotland's unemployment rate has been below that of the UK since January 1992, a situation thought to be unprecedented since the 1920s. The relatively low jobless rate reflects the severity of the recession in the south of England compared to northern regions, including Scotland.

Cross-Channel trade steady

Government figures covering alcoholic drinks and tobacco indicated that cross-Channel shopping was not undermining traditional retailing, said Customs and Excise officials.

Statistics on the release of alcoholic drinks and tobacco by customs from bonded warehouses showed no significant change during the first three months of the European single market.

Drinks retailers in Britain had protested that increased allowances for personal imports from continental Europe since January were threatening their business.

British Airways bans smoking

British Airways is to ban smoking on flights of 90 minutes or less from September 27. The airline said the policy would affect more than 400 flights a week from and to destinations such as Paris, Amsterdam and Brussels. Smoking has been banned on all internal flights since 1988.

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BUSINESS AND THE ENVIRONMENT

Battery gets new charge

It costs on avarage £1 an hour in batteries to play a game on a hand-held computer with a colour screen, as many parents know to their cost. When the batteries are dead they simply end up on the rubbish tip – 12bn batteries are disposed of worldwide every year.

A small UK mail order firm is now pitting its wits against the might of the big battery companies with a machine that, its developers say, can recharge general-purpose batteries and extend their life by up to 10 times.

Rechargeable batteries made from nickel cadmium are already widely available, but in 1992 still only accounted for 2 per cent of consumer battery sales in volume terms. Their big drawback is that they cannot be used with the most power-hungry items such as games.

The Battery Manager is designed to recharge most of the disposable consumer batteries on the market today – zinc chloride and alkaline.

The recharger has been designed by the development arm of Kleeneze Holdings, which produces the Innovations catalogue found in many of the UK's Sunday newspapers.

The technology used is not new but has previously been too expensive and not researched fully, says Andy White, who developed the product. The electro-plating process is similar to that for silver plating cutlery.

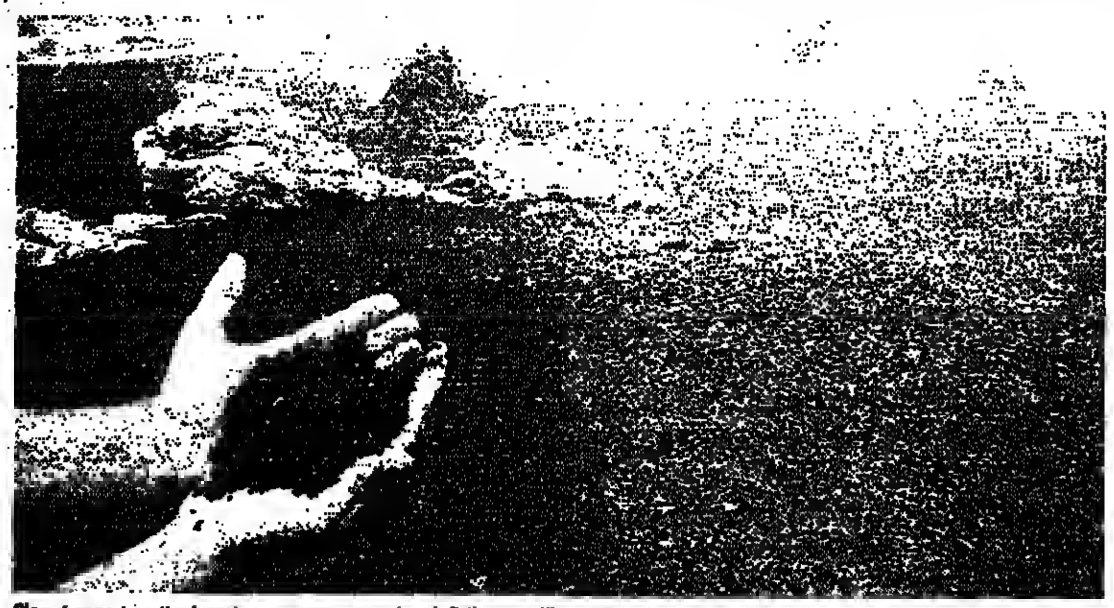
In short, when a zinc-chloride battery is used the zinc from the electrode is dissolved in the electrolyte and dissipatad. To recharge the battery the zinc particles are plated back on to the electrode.

The big battery makers are dismissive about the potential success of the product. "Someone invents a recharger that will recharge primary [alkaline or zinc] batteries every year. We never see anything come on to the market that makes any impact at all," said a spokeswoman for Ever Ready. "Apart from the fact that it may explode, you will get poor performance," she added.

Della Bradshaw

Mines make a clean sweep

Peru's biggest copper producer is taking the lead in reducing industrial pollution, writes Sally Bowen



Slag dumped on the beach over many years has left the coastline at Ilo – home to sea birds and seals – pitch-black

Measured in terms of biodiversity, Peru is one of the world's richest countries. But economically it is one of the world's poorest, having suffered a GDP collapse of around 25 per cent in the past six years. For most Peruvian companies, concern for environmental issues is a luxury they cannot afford.

But the environmental theme looks certain to gain prominence in the near future. Privatisation of state-owned mining companies is under way and the government is pursuing an aggressive policy of encouraging foreign investment in natural resources.

Multinational concerns embarking on mining or petroleum ventures in Peru will be bound by a self-imposed code of ethics to apply the same environmental standards in Peru as they do in, for example, Canada, Finland or Australia.

The environmental lead in Peru is being taken by Southern Peru Copper Corporation, the country's largest privately owned company and responsible for two-thirds of all national copper output. SPCC is majority-owned by Asarco of the US, while Phelps Dodge and Newmont Mining have minority holdings.

SPCC's environmental initiative is not entirely voluntary. In 1987, a commission was appointed by the government to investigate repeated complaints of air and water pollution caused by the company's smelter complex at Ilo, the port town 600 miles south of Lima, from which SPCC refines and ships blister (almost pure) copper.

Eighteen months ago settlement was reached between SPCC and tha administration of President Alberto Fujimori over a long-standing contractual dispute inherited from the previous government. Under the agreement, SPCC committed itself to investing $300m (£200m) over five years – a third for environmental improvement work and the remainder for general expansion and investment in two new plants.

North of the Ilo smelter site – on a coastline that is home to sea birds and seals – is a long, pitch-black beach. Years of slag dumped from the smelter first into tha ocean, then on the shore, has been swept along by currents and deposited a couple of kilometres away.

Another problem is the tailings from SPCC's two mines, 70 miles away in the mountains to the east. At a rate of 86,000 metric tonnes a day, they are channelled down to the coast where they spill into the bay, forming a large artificial beach over a mile long. Fortunately, SPCC's ore is largely free from toxic impurities but substantial percentages of mineral solids remain.

"Worldwide, dumping tailings is just not acceptable anymore," says Eric Ivey, general production manager. "We have to accept our responsibility." Exhaustive studies are under way to determine whether tailings can safely be dealt with by submarine disposal.

The process, already operating off the west coast of Canada, is to pipe the tailings out and deposit them on the seabed 30ft down. Deprived of oxygen and light, there is no chance the tailings can affect marine life, says Rescan Environmental, SPCC's Canadian consultants. If studies, scheduled for completion late this year, confirm this, the flumes for marine disposal will be installed.

Most controversial are the emissions from the Ilo smelter chimneys. SPCC officials have for years claimed that what the locals call smoke is water vapour plus gas, with infinitesimal percentages of sulphur dioxide which, the company claims, is an irritant rather than a toxin.

However, the Ilo smelter's smoke has been a local issue for years – and a steady source of income for many local inhabitants. "They plant alfalfa, which is particularly susceptible, and there's certainly been some damage," says Ivey. "We've been paying out several hundreds of thousands of dollars a year in compensation and the sum was escalating all the time."

If all goes to plan, however, that source of income will soon dry up. SPCC is working on the installation of a capture acid plant, using technology developed by Chile's copper corporation, Codelco. The idea is to close one of the three smelter furnaces and eliminate one chimney-stack in an attempt to push up sulphur dioxide content to a capturable 5 per cent.

SPCC estimates the capture acid plant will cost around $80m: the project is curruntly at the basic engineering stage. "It's high school chemistry to understand it, but to control it is another, expensive, matter," says Ivey.

The slag problem is being resolved by building a sturdy sea wall to prevent any further erosion of the original dumping place. The slag is unsightly but inert, "very similar to what comes out of a volcano", says Ivey. Locals claim the fishing around the black slag beach is excellent. The sea wall is costing the company more than $1m.

SPCC has spent an additional $1m on a sewage treatment plant for their Ilo company housing complex where 8,500 workers and their families live. As in most Peruvian coastal towns, much of Ilo's sewage goes straight into the sea with little or no prior treatment. SPCC will recycle the water recovered and put it to industrial use.

The Peruvian mining sector seems destined to take the lead in attacking environmental problems caused by industry. Already, a new mining law requires environmental impact studies for all new operations, and Daniel Hokama, mines and energy minister, has publicly recognised the environmental "debt" acquired by many state-owned companies now scheduled for privatisation.

One important point that remains unresolved, according to Manuel Pulgar, a Peruvian environmental lawyer, is the absence of legal standards for pollution. "If you haven't established permissible levels," be says, "then you cannot talk about enforcement." He would like Peru to follow Chile's example and set maximum emission levels.

"If you're changing the environment – even if you're not harming it – you have to address the problem," says Ivey. It remains to be seen how swiftly other Peruvian companies will take that message on board.

Recycling still a burning issue

Peter Knight on the arguments for and against incineration

Europe should burn more of its waste paper rather than recycle it. This view is held by some parts of the pulp industry and those agencies charged with handling domestic waste. It is rejected outright by environmental campaigners.

But with the waste-paper market flooded by improved collection systems throughout the EC, those who want to burn rather than recycle could soon win a more sympathetic bearing from politicians.

Germany is committed to recycling 80 per cent of its domestic waste by 1995, the UK's target is 50 per cent by the end of the century and the proposed EC packaging directive stipulates a 60 per cent recycling rate.

The German success at collecting paper, combined with its inability to absorb the recycled product, has led to waste paper being exported at below cost to neighbouring states. This has all but destroyed domestic waste-paper markets. Pressure is building on regulators to allow more waste paper to be burned to provide heat and electricity.

The burning argument states that if properly managed, paper can be produced in a sustainable way. The trees are grown, harvested and replanted, which can be achieved with the minimum use of chemicals and disruption to the countryside.

Paper can be made in plants that are self-sufficient in energy because waste materials – such as wood off-cuts – are used as fuel. If the emissions from pulp-making are controlled, then the entire process is sustainable.

Neither does this activity contribute to the level of carbon dioxide in the atmosphere, because the plantations act as carbon sinks by fixing the carbon dioxide. Recycling, on the other hand, is usually done near urban areas, the source of waste paper. Fossil fuels are mostly used for energy and this contributes to the increase in CO_2.

While recycling reduces the amount of paper that ends up in landfill, the process also produces wastes such as inks, fillers and finishers. More important, large-scale recycling cuts demand for virgin pulp. While this might seem a positive result, a contraction of pulp markets in developed countries discourages moves in the developing world to produce pulp from sustainable forestry. This not only affects the economies of developing countries but discourages the growth of managed forests in areas that have been denuded by slash-and-burn agriculture.

"We are not against recycling. We say that recycling should be used in particular situations so that there is the right balance. Incineration should also be improved to reduce pollutants," says Erling Lorentzen, chairman of Aracruz Celulose, which produces pulp from managed plantations in Brazil.

"Our forests are recycling carbon dioxide all the time. Planting trees is the best form of recycling," he says.

Lorentzen says that if Europe is genuinely in favour of sustainable development it should encourage markets for virgin pulp from properly managed sources.

Environmental campaigners disagree. "The argument is a non-starter because the idea of creating sustainable forests is a misnomer," says Benedict Southworth, recycling officer at Friends of the Earth. Governments should instead encourage markets for recycled paper. It is also better, he says, to use paper fibres as often as possible, rather than burning them after a single use.

Campaigners are also against the incineration of waste because it produces noxious emissions. But those in favour of burning say new technology and higher standards have solved the historical problems of incinerating municipal waste.

A study on paper recycling by the International Institute for Applied Systems Analysis concludes that the incineration of waste paper might be a good economic and environmental alternative to recycling.

However, this depends on the removal of some of the chemicals and heavy metals used in paper and printed packaging.

Yvonne Iwaniuk, a representative of the Confederation of European Paper Industries, says waste paper remains an important resource to the industry, especially in countries with no domestic forestry.

MANAGEMENT

Patti Waldmeir on initiatives to boost the number of black managers in South African companies

Race to the top

After 350 years of racial segregation, corporate South Africa is facing the stark fact that 5m whites cannot manage a nation of 40m people – especially once the other 35m have the political power to insist on a piece of the action.

So South African corporations, most of which have been agnostic on the question of black advancement, are rapidly embracing affirmative action. Last month the South African Chamber of Business, the employers' federation, called on its members to put affirmative action programmes in place urgently, clearly fearful that a new government might otherwise impose racial quotas.

Like their counterparts in other countries, South African managers are struggling to balance the demands of shareholders with the needs of society. Most nations face the problem of how to remove inequalities in the corporate world, but few face it in such stark and daunting form as South Africa. Discrimination has affected the vast majority of employees – not a small minority, as in the US – and government policy has deliberately nurtured a vast skills gap between the managers and the managed.

"Any company that wants to survive is looking at affirmative action," says Wendy Luhabe, whose company, Bridging the Gap, tries to place candidates in companies seeking to advance blacks.

No black-led government can be expected to accept the status quo: that less than 3 per cent of managers are black. And although the African National Congress says it wishes to avoid legislated racial quotas, expectations are high.

The National African Federated Chamber of Commerce, the black business federation, has demanded that blacks hold 30 per cent of seats on the boards of all listed companies by 2000. It also wants blacks to hold 40 per cent of equity and 60 per cent of posts at all management levels. No major South African corporation comes anywhere near these targets – except National Sorghum Breweries, set up recently when the government privatised its monopoly, Sorghum Brewing Company, under black ownership and management.

The small number of blacks in business reflects not only prejudice but also a severe shortage of qualified black candidates after years of sub-standard education under apartheid. Still, some companies such as South African Breweries (SAB) have a long track record of affirmative action and provide an example for those just starting out.

In the group's beer division 46 per cent of salaried employees are black, up from 13 per cent in 1978; and 16 per cent of senior managers are black.

Executive chairman Meyer Kahn, whose forceful personality and blunt charm have done much to promote the affirmative action programme, has set what he calls headcount targets. By 1995 each of the group's operating companies must have at least one black executive director (there are none at present); by 1997 20 per cent of senior managers must be black; and by 2000 all salaried staff must "reflect the demography of South Africa", which means 80 per cent must be non-white.

Kahn sets out the lessons from the past decade's efforts. "Job segmentation is the answer to affirmative action," he says. "When the world was going for job enlargement, we restructured jobs into smaller modules that were more doable." That means, for example, splitting the traditional job of finance director into two functions: accounting and treasury management.

Black candidates exist to fill the accounting position but lack the experience to perform both jobs at once. Reducing the workload of the job can also help. A relatively inexperienced sales manager has a better chance of success if given seven rather than 15 representatives to manage.

An internal SAB document sets out some do's and don'ts of affirmative action. Among them: do not window dress, and make clear to new recruits that "your black skin is no passport"; "don't go overboard to accommodate black power blocs – stand up for what is right, business-wise"; encourage mentoring, preferably by the immediate boss; impress on whites the reality of the current political situation and weed out obstructors; root out covert and overt racism; and try to make blacks feel they belong.

The document offers some recruitment hints. Choose "trouble-shooters and arguers" rather than passive and pliable people who "know their place"; look out for cultural bias in selection techniques; choose those who can identify with free enterprise – many blacks suspect big business of having colluded with apartheid and black communities sometimes equate success with co-option.

But as Joe Horner, consultant to SAB on affirmative action, argues, no real progress will be made unless managers understand that advancing black colleagues is an essential part of their job. "You must make clear to managers that they will be judged by how well they ensure blacks succeed, that it's as important as cost cutting and profits. You must audit this policy as rigorously as you do financial audits. And you must make clear to line managers that they . . . must devote a large amount of high-quality personal time to coaching."

Public-sector bodies such as the electricity utility Eskom also have lessons to offer. Dawn Mokhobo, head of the Eskom's department of social harmonisation, says the utility has established a sort of shadow management board composed of black senior general managers who will not attend regular weekly board meetings but will join special extended board sessions each month.

"It's a way of getting people into the system," she says, adding that this method creates a pool of candidates from which future black board members can be drawn.

To expand the pool of qualified black managers in general, Eskom is spearheading an initiative with big private-sector companies to provide fast-track training for 80-100 people from 8-10 large corporations, at a cost of R3m (£500,000) per corporation.

As Harry Oppenheimer, the patriarch of South African business, says: "It's extremely dangerous to be ruled by people who have no material stake in the country . . . we've got to see that people in the majority have as large a share in the material assets of the country as we can."

Acquiring a taste for the local cuisine

Dr Carol Cooper advises the business traveller abroad to take precautions when sampling certain foods

HEALTH CHECK

ENJOYING hospitality and sampling local cuisine are part and parcel of business trips abroad. While travel may broaden the mind, many people know that it can also loosen the bowels. About 40 per cent of travellers suffer from acute gastro-intestinal upsets.

Delhi Belly, Gyppy Tummy and their variants may last only three days, but when chasing a vital contract these could be the most important days in the calendar.

The risk of acute diarrhoea is highest in developing countries and around the Mediterranean. Although often said to be due to a change in the water, traveller's diarrhoea is spread by something more specific in the water – viruses, bacteria and parasites which originate in human faeces and contaminate water supplies, and therefore food and drink.

More serious infections, such as typhoid, cholera, salmonellosis and hepatitis A, are transmitted by this route, too. Many of these can be prevented. The golden rule is to avoid salads, raw vegetables, unpeeled fruit, tap-water, ice, ice-cream, prawns, shellfish and raw fish. Salads are often unwashed, or rinsed in contaminated water and some are also grown with the aid of human manure.

Ice and ice-cream may be made from dubious water supplies, while prawns and raw fish, especially in the Mediterranean, come from contaminated sea-water. Bear in mind that you need to stay fit until the last minute; on many trips nothing is clinched until moments before you head for the airport and your flight home. Keeping the visiting businessman on tenterhooks till the end is a well-known negotiating tactic.

It is wise to steer clear of sauces or anything else left out for long periods on the table and of any dishes which look fiddly, as if many hands have lovingly arranged each plate.

Beware, too, of unpasteurised milk. TB and brucellosis are the main problems here, not diarrhoea.

Food that is heavily contaminated with microbes need not look, smell, or taste "off". In fact the reverse may be true, because rotting food sometimes inhibits the growth of germs that transmit diarrhoea. As long as it is eaten immediately, well-cooked food is safe, since high temperatures for more than 15 minutes kill most microbes.

When offered steak, ask for medium or well-done: meat should be brown all the way through, without a trace of red. Freshly cooked rice, stews, bread and thoroughly cooked eggs are almost universally safe options. Chips, which have to be freshly cooked, are, too.

The golden rule is to avoid salads, raw vegetables, unpeeled fruit, tap water, ice, shellfish and raw fish

Fruit peeled by yourself – with a clean knife – should cause no problem. It helps to wash hands before eating, but beware of grubby handtowels afterwards (kept in a pocket, a small packet of antiseptic wipes or even baby wipes is useful). Avoid eating with your fingers if possible, or else discard the bit you have handled.

It is easy to decline cold snacks, but not so business lunches. If you are worried about eating something too exotic, let your hosts order for you. They will help you find something acceptable to western palates.

Faced with a suspect meal, one can diplomatically claim tiredness, jet-lag, illness or allergy. In serious cases you could say that you are, regrettably, following strict instructions from your specialist. The locals may find you slightly eccentric, but then a moment's embarrassment is better than 72 hours spent contemplating the tiles in the hotel bathroom. In the Arab world and elsewhere, repeated entreaties to eat can make refusal out of the question. In that case, have a small portion – tiny helpings contain fewer germs.

In developing countries, tap water can be made safe by boiling or adding iodine or chlorine – fine for brushing teeth, but impossible when lunching out. Mineral water is available almost everywhere and the sparkling variety is less likely to have been refilled straight from tap or river. Or order Coca Cola, which is said to have done more for the eradication of cholera than any health programme.

Ice is a bad idea. Research confirms that spirits do not kill the germs in it, so it is probably better to have whisky and fizzy mineral water, or gin and tonic, both without ice.

A visit to the chemist is wise before the trip. If you do succumb to gastroenteritis, loperamide (Imodium) can help. It sometimes prolongs the illness, but makes it milder.

Rehydration fluids (for example, Rehidrat, Dioralyte, Electrolade) help replace fluids lost and make one feel better. They have to be made up with water. Boiled water is best, but suspect water is better than none. Or have plenty of soups and fruit juices and bananas, which contain potassium.

Carbohydrates in bread, rice and crackers also help shorten attacks of diarrhoea. Diarrhoea containing blood or mucus needs medical attention, as does a high fever.

Antibiotics cure almost all attacks of travellers' diarrhoea. However, they can have side-effects, including allergy and diarrhoea, so their use is controversial. It may be worthwhile for a business traveller with a pre-existing disease to take them, either continuously for the duration of the voyage, or in case problems develop. As they're prescription-only medicines, negotiating with the GP is necessary.

The author is a London GP.

PEOPLE

Taking the wheel at Cosworth

Vickers has turned to the Rover group to fill two gaps in the top management of its Cosworth Engineering subsidiary.

Chris Woodwark is ending a 22-year career with Rover and British Leyland, to take over as chief executive of Cosworth, while Rob Oldaker, Rover's chief chassis engineer is to become engineering director for Cosworth's road engines.

Woodwark is making a big leap to the world of high performance engine manufacturing from his present role as managing director of Rover International, where he has been responsible most recently for sales of Rover and Land Rover vehicles in all markets outside Europe. His appointment follows the retirement of Peter Nevitt.

Unlike Nevitt, a respected engineer, Woodwark's career has been almost exclusively

spent on the commercial side of British Leyland and Rover.

He joined British Leyland in international marketing in 1971, and later held jobs such as sales director for Land Rover in Africa, managing director of Leyland Zimbabwe and sales and marketing director of Leyland Trucks.

The post at Cosworth will now keep him firmly in touch with the North American market, where he has enjoyed mixed fortunes in recent years. He has currently been planning a big expansion for Land Rover in North America with the expected launch there next year of the successful Discovery fourwheel drive vehicle.

At end of the 1980s, however, his US experience was less happy as he struggled in vain to turn the tide for Sterling Motors, Rover's abortive car sales venture in the US.

At Cosworth, the outlook is more promising, with Nigel Mansell driving successfully with the Ford Cosworth engine in US IndyCar racing, and Cosworth profits doing their best to compensate for the losses at Vickers' other automotive businesses, most notably Rolls-Royce Motor Cars.

Littlewoods appoints thwarted purchaser

Littlewoods Home Shopping Group has invited Harald Schroff, who is retiring from the main board of the German mail-order house Quelle as he turns 60 this September, to join its board as a non-executive director.

There are still relatively few continental Europeans on the boards of British companies, though earlier this year Budgens appointed Hans Reischl, chief executive of Rewe, the German supermarket chain, to its board.

Quelle, which like Littlewoods, is an unlisted, family-run company, had been one of several parties interested in buying into the British market by acquiring Littlewoods' home shopping business. Months of negotiations were however broken off in April last year when the Liverpool-based retailing and football pools group appeared to be unable to secure what it regarded as a suitable price. At that stage the company said it therefore intended to develop home shopping as one of its core businesses.

Yesterday Littlewoods confirmed that it had got to know Schroff as a result of the talks, and that, as he was possibly the most experienced executive in the field of European home shopping, it hoped to gain from his expertise.

Joining Quelle in 1957, Schroff had had a seat on the main board since 1980. In 1986, he was put in charge of the special mail order division as well as all of Quelle's activities outside Germany, which includes France, Austria and Belgium.

When Littlewoods restructured at the beginning of the year, creating the home shopping and other groups out of what had previously been internal divisions, it said it would appoint non-executive directors to the boards of the new limited companies, when the right people came along. Schroff is the first such appointment.

Non-executives

- Adele Biss, chairman of the British Tourist Authority and the English Tourist Board and a non-exec at European Passenger Services, at BOWTHORPE.
- Sir Gordon Borrie, former director-general of the Office of Fair Trading, at UAPT-INFOLINK.
- Brian Raincock, founder of The Legal Protection Group and md of Legal & Contingency, at IPS GROUP.
- Peter Corley, a director at Swiss Bank Corporation, at EVE GROUP.
- David Shaw has left HOSKINS BREWERY.

Gordon Waddell (left) will become chairman of the MERSEY DOCKS & HARBOUR COMPANY when William Slater, chairman since 1987, retires on September 7.

Waddell, who joined the board in April as a non-executive director, is chairman of Shanks & McEwan Group and the Fairway Group, and a non-executive director of a number of companies including Cadbury Schweppes.

Michael Hill, director of financial serviceswith East Midlands Electricity, has been appointed finance director with effect from October 1 to succeed Geof Mason who retires at the end of the year.

Insurance moves

- Two important changes of senior staff have been announced at MERRETT Holdings, one of the largest agencies at the Lloyd's insurance market. Stephen Burnhope, underwriter of non-marine syndicate 1067, is to leave Merrett to join the smaller Spreckley Villers Hunt agency. SVH manages non-marine syndicate 1007, the seventh largest non-marine syndicate at Lloyd's. Joining Merrett is Ian Menzies, who takes over as group finance director. Menzies left General Accident after six years with the group in 1990. He joined the Perth-based company after 16 years with J Henry Schroder Wagg, where he was also a director.

- A.J. ARCHER, the listed Lloyd's agency, has announced a reorganisation of senior management and the closure of two of its 19 syndicates.

Richard Maylam will stand down as chairman of A.J. Archer Holdings in order to focus on his primary responsibility as underwriter of syndicate 270. Brian Kellett will become executive chairman and Ralph Sharp will be group managing director.

Syndicate 697 will merge with syndicate 741 for the 1994 year of account. Syndicate 256 will cease to underwrite from 1994. A.J. Archer & Co, one of two managing agents in the group, will be renamed Tower Underwriting Agents. A.J. Archer Holdings will be renamed at a later stage.

- Patrick Dawson (above) has been appointed director, Latin America, of the international division of Bain Clarkson, part of INCHCAPE; he moves from Sedgwick.

- Jeremy Davies, a director of Steel Burrill Jones Group, died on August 2 at the age of 43.

Television/**Christopher Dunkley**

Ethos of vans, doors and Bosnia

In the second week of July, according to the BARB ratings, "Other Viewing", which means programmes on satellite and cable, achieved its highest share ever in Britain: 6.6 per cent. So conventional terrestrial television – BBC, ITV and Channel 4 – still accounted for 93.4 per cent. Thus the notion which now appears to obsess the chattering classes within the mass media, that we are in the middle of a new age of multiple choice which is baffling and fragmenting the audience, seems a teeny bit questionable. Of course this does not stop the broadcasters behaving as though the notion is a fact, and one of their favourite ways of attempting to resist the supposed fragmentation is "theming": dedicating a whole evening to programmes about food, flinging together two dozen programmes about dinosaurs, or, as on Channel 4 at present, devoting a whole week to programmes about "Bloody Bosnia" – pun fully intended.

At first the idea seemed admirable. Thanks to bitty and repetitive coverage of violent activity in what was Yugoslavia, television has produced a weariness in many viewers; a tendency to mutter "a plague on all your houses and your medieval mentality". The sight of yet another reporter in a flak jacket standing in front of yet another burned out Balkan village has become the signal to change channels. Surely this uncharitable and obscurantist reaction might be changed by a more intelligent, analytical and historical approach to the subject. "Bloody Bosnia" could be just what was needed.

Yet a combination of previewing and viewing off-air at the start of this themed week leaves doubts. The whole thing could backfire and leave us more sick of the subject than ever. It seemed odd to begin with a lecture by currency manipulator George Soros, of all people, on ethics. Still, to be fair, he can claim to have spent some of the millions he made in speculating against the pound and the dollar on liberal and humane charities in the area in question. Moreover the idea underlying his *Opinions* programme was wholly laudable: that we need a new world order based on "the open society where no dogma has a monopoly, where the individual is not at the mercy of the state, and where minorities and minority opinions are respected".

But as the season continues one's patience starts to thin. In some cases such as the *Essential Guide* series (Part 2 last night, Part 3 tomorrow) it is the style, with its flickering captions, head-and-shoulder inlays, and general tone of "Look at me I'm in charge of graphics" which irritates and distracts from the content. In other instances it is the message: Guardian reporter Maggie O'Kane made it utterly clear in Sunday's *Frontline* that she sees Slobodan Milosevic in particular and the Serbs in general as the demons of the piece. But did her silence on the Moslems indicate that she thought them blameless? In other places Western liberals tend to find Moslem intolerance and totalitarianism loathesome; are they different in Bosnia? I have an ominous feeling that by the end of the week we shall be growling "A plague on all your houses" every time another of these programmes appears.

★

The past week has produced vivid contrasts in documentary styles. The first in the BBC2 series *Architecture Of The Imagination* (reviewed here at greater length by Colin Amery on Monday) was one of those portentous programmes where the commentary swings between the blindingly obvious and the embarrassingly pretentious. It was full of people keen to explain to lesser mortals the inner, and of course outer, significance and symbolism of the door. The first in ITV's *Metroland* series, showing work by new directors, could easily have fallen into the same trap. In his 25 minute study of the world of van drivers Henry Chancellor did have one enthusiast who sat on the step of (I think) a Dormobile and mused about what would probably, in the architecture series, have been called the "ethos" of vans.

But Chancellor's commentator was brief, ready to laugh at his own fanaticism, and amusing – virtues which describe the entire programme. We watched a hairdresser, a fishmonger and a dentist operating from vans. We met the sort of loons who customise Bedfords so that they do 150 mph and eight mpg. And we ended with a student living in a van whose simple analysis of its significance was far more effective than all the psychobabble in *Architecture Of The Imagination*. "The Van" is the sort of startlingly simple but affecting programme to which juries like to give awards.

Lady Elspeth Howe, wife of Conservative grandee Sir Geoffrey Howe, has succeeded Lord Rees-Mogg as chairman of the Broadcasting Standards Council, one of the sillier quangos invented in recent years by a government supposedly keen to "roll back the boundaries of the state". Jobs for the girls? Perish the thought! The lady is there entirely on merit. Chief qualification for chairmanship of the BSC appears to be a very sketchy knowledge of what actually appears on television. Rees-Mogg proved by what he told interviewers to be eminently qualified, and now, in response to Christian Tyler's question "Do you enjoy watching sex on television? Do you find it boring?" in the course of a feature in Saturday's Weekend FT, Lady Howe has said "Up to a point. Yes I do after a while find it boring if it goes on and on and on".

So here is a challenge for the lady: name us, not 12, not six, but just two occasions in the past year – no, let's make it fair, in the past decade – when you have seen a programme in which sex went on and on and on. Those of us who would welcome a gentle spot of sex occasionally in place of some of the stabbing and shooting would be delighted to know where, outside the Adult Channel on the Astra satellite (and somehow it seems unlikely that Lady Howe is paying £50 a year for that) she claims to be finding such unremitting sex.

★

Speaking of sex, when will television newsroom staffs get it through their thick collective heads that they have no more idea than anybody else of the rate of sexual offences in Britain (or England, or, as reported on BBC Regional News last week, London). Sex offences were almost certainly bigger, proportionately, in London in 1493 than today, and probably higher in 1893, what with middle class male attitudes towards servant girls. But nobody knows. All that television news reporters know is the state of police statistics, and these vary according to the number of police collecting them, the number of computers available, and especially according to prevailing attitudes towards the reporting of crime. It is, of course, less exciting and less terrifying to announce "The number of sexual offences reported to the police rose last year" than to scream "There was a rise of 11 per cent in sex offences in London last year". The difference, however, is that the former is non-fiction, which is what television news is supposed to deal in, whereas the latter is fiction.

★

How splendid to be reminded so forcefully by the opening production in BBC2's *Wexford Trilogy* of what can be done with a simple single-set studio drama if you have a writer as good as Billy Roche. BBC1's two-part thriller *Thicker Than Water* had some of the best wet-windscreen scenes shot on any location this year, but never at any point did the dialogue or the drama achieve the same power as "Poor Beast in The Rain". This opening episode in the *Wexford* sequence told a bleak story of provincial pride and tragedy with speed, wit and economy and was consequently spellbinding. Yet it never moved beyond the confines of a small betting shop.

Ingrid Craigie, Liam Cunningham and Dervla Kirwan in Billy Roche's 'Poor Beast in the Rain'

Spoleto Festival/**William Weaver**

'Il Trittico' and 'The Rake'

The first-time visitor to the Spoleto Festival had best obey two rules: wear sound, rubber-soled shoes (the steep, cobbled lanes of the lovely Umbrian town are treacherously slippery); and expect the unexpected. From the time Gian Carlo Menotti founded it, the Festival of Two Worlds – as he officially calls it – has aimed not only to bring Italy and the Western hemisphere together, but also to foster young talent, encourage artists to explore new paths, and cajole the traditionally staid and unadventurous Italian audience to open its mind and eyes to unfamiliar experiences.

As the Festival approaches the end of its 36th year, Menotti deservedly looks back on his achievements with pride. But as he ruefully admits, there have also been some monumental fiascos, like the Visconti *Traviata* in which the soprano lost her voice before opening night, when, to make matters worse, the tenor got completely lost in the final act. But, to compensate for that awful evening – one of Visconti's worst, too – there were occasions like the Visconti-Schippers *Manon Lescaut*, a brief, unforgettable recital in the little Teatro Caio Melisso by the unknown Jessye Norman, and the Italian debut of the Tokyo Quartet in the same house.

For Spoleto's operagoers this year's festival may well be memorable chiefly for the debut here of a young Chilean soprano, Cristina Gallardo Domas, whose Suor Angelica provided the one real excitement in an otherwise enjoyable, but uneven production of Puccini's *Trittico*, designed by William Orlandi, staged by Menotti and conducted by Spoleto's new musical director, Steven Mercurio.

Of Puccini's works *Il Trittico* is one of the most problematical; the three short, intense operas are filled with traps for the unwary. In *Il tabarro* Mercurio and his leading singers decided on a full-blast approach, everything at top volume, addressed squarely at the public. Well, the score is rich and can survive and even repay this unsubtle, but sincere handling. As Michele, the baritone Haijing Fu stood out, sombre and moving, and sinister, implacable as well. It was good to see the lovers, Giorgetta (Maria Prosperi) and Luigi (Rick Moon), played unromantically, she rather dowdy, he ordinary, plain. The set was misty, a traditional, recognisable, handsome Paris.

Menotti's staging was also traditional, with some of the master's familiar trademarks, including abundant employment of supers. Since Puccini wrote a number of vignettes into the work, the stage at times seemed overcrowded, as if Michele had dropped anchor near the Gare de Lyon. The cloister of *Suor Angelica* was no more cluttered than necessary, and the girls of the Westminster Choir formed a convincing, varied community of nuns. The interpreter of Angelica ideally must have, besides a warm, supple, melting voice, an expressive face; and Gallardo Domas, while not beautiful in any conventional sense, has the biggest eyes seen on the opera stage since Callas. Though short of stature, she took on heroic dimension in the conclusion of the piece, from the aria "Senza mamma", her delivery powerful yet nuanced, to the last gasp of her death.

Comic opera is always a problem for inexperienced singers, and most of the *Gianni Schicchi* cast succumbed to the temptation to mug outrageously. The immensely tall, gangling Alan Held has an impressive voice, but he is not – or, at least, not yet – a Schicchi, lacking that vein of cynical cruelty that belongs to the character. Nevertheless, the work moved fast and securely, and held the public. The Spoleto Festival Orchestra was, as usual, composed of very young players, students or recent conservatory graduates.

Inevitably, the quality varies from one festival to the next and, it must be said, 1993 was not a vintage year. Mercurio – not well received by the Italian press – seemed to have clear ideas about the music and he set suitable tempos, allowing the singers just the right amount of liberty. But his players, notably a pesky, shrill piccolo, occasionally did him a disservice and the sound was not always pleasant.

Puccini's three short, intense operas are filled with traps for the unwary

The other opera on the Spoleto calendar, Stravinsky's *Rake's Progress*, made use of a much-reduced orchestra and the conductor – another young American, Arthur Fagen – was able to draw more focused playing from this smaller group. The Caio Melisso is about the size of the Theatre Royal, Wexford, and like its Irish counterpart, the Italian house flatters voices, so singers can relax. Thus, while neither the tenor Michael Rees Davis nor the soprano Ann Christine Larsson seems to have a large instrument, neither had to force; and Stravinsky's sinuous lines emerged with spontaneity and sweetness. Larsson's enunciation was sometimes blurred, but she was a touching Anne; Davis made every vowel and consonant do its job, and the splendid poetry made the proper effect.

Richard Cowan's Nick had a bold swagger and a black sound; his interpretation was hampered by his too-obvious costume. The costumes and the sets were by the British caricaturist-cartoonist-illustrator David Hughes, making his first foray into opera. His designs, somewhere between Steinberg and Hockney, displayed a ready wit and a fertile imagination, but they occasionally went off the rails (why did the crowd at the auction have to wear bird-beaks?). Roman Terleckyj, who has on many occasions acted as Menotti's assistant, staged the work in harmony with Hughes's vision. There were some excellent moments – the finale, with the singers removing their makeup at a row of mirrors, for example – while other scenes, Bedlam for one, were filled with aimless bustle.

Opera in San Francisco/**Timothy Pfaff**

Richard Strauss celebrated

It is a particular as well as a general pity that the *Celebration of Richard Strauss* that just ended is, for budget reasons, the last San Francisco Opera summer season for the foreseeable future. Since, despite an adequately high level of singing throughout the festival, there were no standout performances in major roles, the company's orchestra emerged the festival's "star." Now it seems that without this valuable performance and rehearsal time with its new music director, Donald Runnicles (who conducted *Salome* and *Capriccio*), and principal guest, Charles Mackerras (who led *Der Rosenkavalier*), the opera orchestra can only suffer.

The ensemble's alert response to the full complement of Strauss styles – early, middle, and late – as well to three conductors (Andrew Davis led two concert performances of *Daphne*), was appreciable. But its craft and versatility shone brightest in adversity: having to sound at full cry for *Salome* while holding back to accommodate the severely compromised performance of Maria Ewing in the title role.

The old question of whether it was wise for Ewing to take up the role for the by now much-travelled Peter Hall production seems answerable in an unambiguous "No." Not only can the Ewing soprano no longer soar over the full orchestra at climaxes, it skips over many of the "little notes" that lend the role so much of its musical interest. From performance to performance (I heard two), Ewing recomposed the part for her comfort; little wonder that, her famous strip to the buff notwithstanding, the most memorable part of her Salome is her pout.

The Herods, king and queen, fared far better, with both Robert Tear and Leonie Rysanek giving sophisticated, richly detailed vocal and dramatic readings – and Rysanek sounding as if she could have sung the title role with ease (and the vocal generosity she always lent it). If Tom Fox's Jokanaan lacked a certain aura of mystery, it was still strong and impressive – even if the often misguided restaging by Jeanette Aster gave us a prophet who could not keep his eyes off the sultry princess.

Elevating his orchestra to the status of another character, Runnicles presided over a drama of feral cunning and thrust. What his *Salome* offered in sound and fury, his *Capriccio* delivered in subtlety and nuance. Except for some occasionally faulty intonation from the strings his players produced a shimmering tapestry of sound: fine filigree over a gracefully suspended long line. Co-ordination between pit and stage was exemplary. Revisions to the Mauro Pagano production, similarly familiar to London audiences from a previous Covent Garden outing, will be revealed in a live video recording. In general it seemed improved by Thierry Bosquet's period costumes, replacing the misogynist Versace designs that lent visual confusion to the original production.

Kiri Te Kanawa sounded better too; by now having learned the role in its particulars, she singing it half-ardently. Still, opulent sounds and arching phrases were not enough to convince one that she had strong, let alone conflicted, feelings about either words or music, poet or composer – or, for that matter, much interest in dinner. (The production's one genuinely touching performance was Michel Sénéchal's show-stopping Monsieur Taupe.) Hakan Hagegard, as the Count, and Victor Braun, as La Roche, made similar, if paler, impressions compared with their first outings in this production.

While David Knebler caught neither the character of Flamand nor his music, Simon Keenlyside compensated with a beautifully inflected, deeply sympathetic Olivier – one that tipped the balance in the direction of words with, however ironically, high musicality. Still, the most fullest, most rewarding characterisation was Tatiene Troyanos' text-savoring, handsomely sung Clairon.

The already grateful pairing of *Capriccio* and *Der Rosenkavalier* was further enhanced by a similarity in production style. Lotfi Mansouri's "new" *Rosenkavalier* sought to recreate both the Alfred Roller designs of the Dresden premiere and the original staging as reflected in the production book. The sets emerged breath-catchingly, absorbingly beautiful, the direction a bit by the numbers and characteristically broad and physical.

Felicity Lott introduced an accurate, well defined, patrician, and ultimately unmoving Marschallin; Frederica von Stade her well-known, urgent Octavian (though a bit vocally constricted and, well, more mannish than boyish in her late San Francisco debut of the role); and Christina Schaefer a perky if small-voiced Sophie. Eric Halvorson's sumptuously voiced Ochs seemed otherwise generic.

Musically, the show belonged to Mackerras, who seemed unerring in his choices of what to accent in this busiest of scores while making sure that all its music told. His sympathy with the singers seemed sometimes finer-grained than theirs with their characters.

In the event, the concert *Daphne* seemed a trifle pointless (if not a pointless trifle). Davis oversaw a performance that seemed sufficiently long-lined, rhapsodic, and airy – but that felt more a reflection of what the orchestra could accomplish with little rehearsal than a serious reading of the work. The only singing of lasting interest was Jon Frederic West's knowing, passionate Apollo and Janice Watson's silvery (if somewhat monochrome) Daphne.

INTERNATIONAL ARTS GUIDE

■ BAYREUTH

In the absence of The Ring, interest this year focuses on a new production of Tristan und Isolde, marking role-debuts for Siegfried Jerusalem and Waltraud Meier. Max Loppert, writing on this page about the first night, said that although Jerusalem might be considered light by traditional Heldentenor measurements, he had mastered the art of Wagner pacing. Meier, he said, sounded not just beautiful, but aptly in character, capable by turns of imperious flourishes, anger-heated surges, soft romantic raptures - as if she had lived long with the character and inside the text before presenting both to the public. Heiner Müller's first-ever opera production, designed by Erich Wonder, was described as abstractly interesting, emotionally distancing and centrally unromantic. As in the 1981 Ponnelle production, the conductor is Daniel Barenboim. This year's programme also includes Parsifal conducted by James Levine, with Deborah Polaski as the new Kundry. Poul Elming and Linda Finnie join the cast for Werner Herzog's 1987 staging of Lohengrin. Donald Runnicles conducts Wolfgang Wagner's 1985 production of Tannhäuser, with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer, with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

■ BRUGES

The early music festival, now in its second and final week, features a William Byrd programme tonight with the Fitzwilliam Ensemble, a Corelli and Vivaldi programme on Fri with a baroque orchestra from Milan, and a grand finale on Sat with the York Waits, an English Renaissance town band (050-448686)

■ HEIDELBERG

This year's open-air festival at Heidelberg Castle features productions of Haydn's rarely staged L'isola disabitata and Cav and Pag. Ends Aug 31 (Konzertkasse, Theaterstrasse 4, D-6900 Heidelberg. Tel 06221-583521)

■ HELSINKI

The festival, celebrating its 25th anniversary, opens on Aug 24 with a Helsinki Philharmonic Orchestra concert conducted by Alexander Sander, featuring Karan Armstrong as soloist in Schoenberg's Erwartung. Esa-Pekka Salonen brings the Swedish Radio Symphony Orchestra for two concerts, and other concerts are conducted by Marek Janowski, Leif Segerstam and Hans Drewanz. Recitalists include Julian Bream, Jessye Norman and Cecilia Bartoli. There are also performances by Ingun Bjørnsgaard Dance Company, Susanne Linke Dance Company and the Avangil Ensemble, which brings classical and modern Islamic music from Turkey. Ends Sep 12 (664466)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. This year's programme of 33 concerts includes anniversary celebrations of Grieg, Tchaikovsky and Rachmaninov, a cycle of Schubert sonatas on modern concert grand and fortepiano, a Debussy series using period instruments and introductions to Medtner and Corigliano. In tonight's concert, Nelson Freire plays concertos by Grieg and Rachmaninov, accompanied by the Novosibirsk Philharmonic Orchestra from Siberia. The line-up of artists over the next three weeks includes Nicolai Demidenko, Michel Dalberto and Stephen Hough. Ends Aug 22 (4250 5115)

■ MONTPELLIER

Radio France's annual festival reaches its climax on Fri with a concert performance of Reyer's grand, unjustly neglected opera Sigurd, with a cast headed by Chris Merritt. The closing concert next Wed is given by the Gustav Mahler Youth Orchestra conducted by Claudio Abbado, with baritone soloist Dmitri Hvorostovsky (6702 0201)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its third year. The formula is simple: bring promising young singers and musicians together for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This summer's repertory is Matthus's 1966 arrangement of Monteverdi's Ulisse, staged by Frank Matthus and conducted by Richard Bradshaw (Aug 6, 7, 8, 11), and Carl Orff's Die Kluge, staged by Hans-Peter Lehmann and conducted by Horia Andreescu (seven performances between Aug 13 and 22). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin tel 030-463 1022.

■ SAN SEBASTIAN

Highlights of this year's festival (Aug 16-Sep 2) include Pier Luigi Pizzi's Monte Carlo production of La traviata, the St Petersburg Philharmonic Orchestra, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen, and church concerts featuring the Hilliard Ensemble and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ SANTANDER

This year's visitors include Anne Sophie Mutter, the Scala Orchestra with Muti, and a bevy of Russian artists - the St Petersburg Philharmonic and Bolshoi Opera Orchestras and the St Petersburg State Ballet. However, the Kirov Opera has cancelled its visit. Ends Aug 31 (Festival Internacional de Santander, C/Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots. Tonight, tomorrow and Fri, the Kirov Opera Orchestra gives concerts in Westerland and Stade. The European Community Youth Orchestra, conducted by Leonard Slatkin, plays in Kiel on Sun, followed by Jessye Norman next Tues. The line-up over the next two weeks also includes Christa Ludwig, Anne Sophie Mutter, Shura Cherkassky, Igor Oistrakh, Gidon Kremer, Sinopoli and the Philharmonia, Günter Wand and Yehudi Menuhin. Ends Aug 22 (0431-567080)

■ CASTELL DE PERALADA

The gardens of this Catalan castle north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts. The programme includes a staging of L'elisir d'amore (Aug 7), a recital by Anna Sophia Mutter (Aug 16), and concerts featuring Jordi Savall (Aug 14) and Alicia de Larrocha (Aug 21). The final concert on Aug 23 is given by the St Petersburg Philharmonic Orchestra under Yuri Temirkanov (072-538125)

■ TORROELLA DE MONTGRI

The festival is based in a town on the Costa Brava near Spain's border with France. This year's line-up includes Giacomo Aragall (tonight), Bohuslav Martinu Philharmonic Orchestra (Aug 12), Franz Liszt Chamber Orchestra (Aug 15 and 17), the Solomon Trio (Aug 20) and Berlin Philharmonic Virtuosi (Aug 21). Jean-Pierre Rampal gives the final concert on Aug 22 (0972-761098)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

"The Russian Revolution? You can't stop me shrugging my shoulders. On the scale of ideas it is, at most, a vague ministerial crisis."

The author of those words was a surrealist poet, Louis Aragon, who later become a leading French communist. By the same token, perhaps one day I shall become a convinced monetarist. But, for the moment, my view of the turmoil in the currency markets is essentially Aragon's view of Russia, vintage 1924. "To call it revolutionary," be added, "is a veritable abuse of language."

The same could be said when words like "disaster" are used about the demise (or relaxation) of the European exchange rate mechanism.

I'm not sure I would go quite as far as The Independent – the admirable but eccentric British newspaper which banished the ERM completely from its front page on Monday morning and used the space to print the names of more than 2,000 people supporting its call for military action to save Sarajevo. But I sympathise with its objective, which must have been to restore our sense of proportion. The real disasters of the last week were not in the currency markets but in Bosnia and Lebanon.

It's hard to say which was more depressing: the grim face of Mr Yitzhak Rabin, the Israeli prime minister, who told a parliamentary committee his offensive in Lebanon was designed (yes, designed) to create a wave of refugees; or the beaming faces of Mr Slobodan Milosevic, the Serbian president, and Mr Radovan Karadzic, the Bosnian Serb leader, when Bosnia's president Alija Izetbegovic conceded their aim – a division of his country along ethnic lines.

Israelis do not like being compared with the Serbs. In a letter in Monday's FT, one explained that Bosnian Moslems have no choice but to flee, whereas the Lebanese do have the choice. All they have to do, it seems, is "express their hostility to the terrorist group", Hizbollah, and "Israel will welcome these inhabitants back".

Very generous, I'm sure. But one thing one can say for the Serbs is that they are only seeking, by utterly barbarous methods, to control areas of

Wrong order of priority

Last week's real disasters were not in the money markets

Bosnia and Croatia where they already live. No Israeli has ever lived in south Lebanon. In so far as others who do live there support Hizbollah, they do so because it is fighting Israeli occupation of the "security zone" inside Lebanon.

Israel rightly objects to Katyusha rockets being fired at its territory. That has been the ostensible reason for all its military activities in Lebanon, including the unbelievably destructive invasion of 1982. But the problem is still there.

The one solution Israel has not tried is the one ordered by the UN Security Council back in 1978: a full withdrawal to

It is a perverse sense of honour which keeps someone doing a dishonourable job

the international border, leaving the UN interim force to prevent a return of Palestinian guerrilla units to the border zone while the Lebanese state reimposes its authority.

Yet even now the "international community" does not insist on compliance with that resolution. Indeed, the Security Council had nothing to say about last week's fighting. The US seems to accept the Israeli view that this cynical use of violence, which destroyed the homes of many thousands of people, has somehow "advanced the peace process".

Meanwhile, in Geneva the EC and UN mediators, Lord Owen and Mr Thorvald Stoltenberg, have been twisting Mr Izetbegovic's arm to get him to accept what they and their employers have often pronounced unacceptable.

Last September, Lord Owen said: "We have to convince the Moslems that they are not going to be the victims of realpolitik." Now, it seems, he is trying to convince them of the opposite, and is irritated by suggestions that Nato aircraft might, after all, intervene to prevent the "strangulation" of Sarajevo, fearing this will encourage the Moslems to hold out a little longer.

In a Channel 4 TV interview screened on Monday night Lord Owen admitted he could have resigned in May when the Washington conference scrapped his previous peace plan. That plan involved a territorial partition of Bosnia on effectively ethnic lines, but a fairer one than is now proposed, with far fewer people being displaced. But Lord Owen apparently thought that to do so would have been quixotic and self-indulgent.

It is a perverse sense of honour which keeps someone doing a dishonourable job. If Lord Owen felt – as well he might – that his task had been rendered impossible by the unwillingness of western powers to confront Serb and Croat realpolitik, he should have resigned and said so.

As it is, he finds himself (as one who has worked closely with him remarked last week) behaving like the character played by Alec Guinness in The Bridge on the River Kwai: an officer in charge of a detachment of prisoners of war who takes pride in the bridge he has built for the enemy and is horrified by his own side's desire to blow it up.

The true nature of the new world order is becoming clear. I know, "new world order" was last year's cliche, or rather the year before's. Nowadays one is supposed to talk about "world disorder". But even more sinister than chaos and violence in themselves is the deliberate use of them to bring about a new political order; and even worse than an international community that clucks ineffectively and does nothing is one that busies itself with dignifying such callous realpolitik with "agreements" on which the victim must shake the hand of the aggressor.

Perhaps that is the only kind of world order there ever was, or could be, but it leaves a very unpleasant taste in the mouth. Moreover, it is hard to see why such agreements should last any longer than the balance of forces which dictated them.

Eastern Europe's biggest barrier to exports is its poor telecoms system, writes **Andrew Adonis**

Call waiting, for the lucky few

For every person with a telephone in Albania, six are on a waiting list. It is better in Hungary and Poland, where there are about three in the queue for every five installed.

Without a modern telecommunications system, east European business will be hampered at every turn. But with existing levels of investment, its chances of getting one in the foreseeable future are slim.

A few further figures underline the region's plight. Western Europe has an average of 43 exchange lines per 100 people. In the east, only the Baltic states and Bulgaria have more than 20 per 100, while the rest of the region has between 10 and 15 per 100.

According to a recent survey by the Organisation for Economic Co-operation and Development, east European businesses considers inadequate telecommunications to be its biggest infrastructure barrier to exports. In Poland poor telecommunications was a more frequently cited obstacle than any other, including exchange rates and the instability of the banking sector.

CIT Research, a London communications consultancy, estimates the cost of providing Russia and eastern Europe with the same density of exchange lines as Spain has today – 35 per 100 people – at $129bn, or $14.3bn a year if it were spread equally from 1992 to 2000.

The Spanish target, a rough yardstick, is far beyond the medium-term reach of most countries in the region. According to CIT, if the telecoms growth rate of 1988-91 were sustained, only the Baltic states and Bulgaria would reach the Spanish target by 2000, while Russia would end the decade with 24 lines per 100, the former Czechoslovakia with 25, Hungary 20, Ukraine 18 and Poland 14.6.

To reach 35 per 100, Poland needs an extra 10m exchange lines, at a cost of about $20bn. Last year, according to BIS Strategic Decisions, a UK consultancy, only $1.3bn was invested, barely half the funds needed. To put the figures in perspective, telecoms investment in the UK will amount to about $8bn this year, enhancing a network that already provides 45 lines per 100 people.

Western private sector capital has so far played a negligible role in eastern Europe telecommunications. "There are some joint ventures between eastern and western operators, but few are in wireline services and they constitute a very small proportion of total investments so far," says CIT.

Criticism of international lending institutions is widespread, and not just in the east itself. "Investment is falling drastically short of necessary levels," says Mr Andrés Bande, president of Ameritech International, the US operator. He claims that, since the 1960s, the World Bank has lent barely $5bn on telecommunications projects worldwide and that only 2 per cent of its current lending is for telecoms, down from 3.6 per cent 20 years ago.

Between them, the European Investment Bank and the European Bank for Reconstruction and Development have so far lent barely $1bn for telecoms projects in eastern Europe in the past two years.

"The World Bank should look upon central and eastern Europe as it looked upon western Europe and Japan in the years immediately after the second world war," says Mr Bande. He would like to see the establishment of an international body, called "Worldtel", exclusively targeted at telecommunications development.

The World Bank and the EBRD reject the criticism. "What we need is not Worldtel but greater private sector involvement," says Mr Edouard Wylleman, senior infrastructure project manager at the EBRD. "Our job is largely to create the conditions for that – particularly by promoting an appropriate legal framework and pioneering new financial instruments."

Even if Worldtel were established, its financial contribution to eastern Europe's telecoms could only be modest. BIS estimates that only about 10 per cent of the funds needed to upgrade the region's telecoms could reasonably come from the multilateral lenders; the rest would have to come from internal sources (55 per cent) and from foreign direct investment (30 per cent).

Increased internal revenue will have to be generated largely by reforming tariff and staffing structures to reflect costs. Faced with strong political pressures, progress on both fronts is slow. Across the OECD, the average ratio of installed lines to employees is 120; in eastern Europe it is between 30 and 50. On tariffs, the picture is more mixed. Russia, for instance, has deregulated prices; but with inflation rampant, revenue is far below that needed to fund expansion.

Privatisation of the region's state-controlled telecoms operators is the most likely source of substantial inward investment – supplemented by franchise contracts for new data and cellular mobile networks, and perhaps also for mainline network expansion.

Mr Charles Jonscher, president of the Central Europe Trust, a UK-based consultancy, is confident that capital requirements will force the region rapidly down the privatisation and franchise roads. He sees a three-phase process. A monopoly of investment and service-provision by state telecommunications utilities is giving way to joint ventures with overseas partners. In due course he expects the state utilities themselves to be sold, with competition encouraged between operators.

The three phases are evident in the development of the region's cellular mobile networks. In most countries, the first generation of cellular networks was provided by single joint ventures between state and foreign operators. By contrast, competing concessions are being offered for new digital networks constructed to the pan-European GSM standard.

For entrepreneurs prepared to pay premium rates, mobile and satellite links are developing fast. However, for mass telecommunications at affordable prices, expanding the basic fixed network is the overriding priority. In that sphere, progress towards Mr Jonscher's second and third phases of joint ventures and privatisation is painfully slow in most countries.

Ideological opposition to privatisation and liberalisation remains strong. At a recent FT conference, Mr Krzysztof Kilian, Poland's telecommunications minister, said the (now interim) government had just "started to think" about privatising part of Polish telecoms. He expressed deep scepticism as to the value of competition in basic network provision. "Surely it is obvious that costs will be lowest in high-capacity systems in the hands uf a single operator," he said.

Privatisation is proceeding in Hungary, along with provision for licensing 56 regional competitors to the former monopoly. Thirteen overseas operators have submitted proposals to take a stake in the Hungarian company, including several leading west European and US operators.

But even if the rest of eastern Europe follows Hungary's lead, the source of future inward investment is problematic. Companies with a total capitalisation of $50bn are expected to come to market over the next three years in the Asia Pacific region, where telecoms expansion is riding on the back of buoyant economies. Then there is western Europe itself, where a privatisation avalanche starts in 1995-96 with the sale of Deutsche Telekom.

"We are facing a real shortage of capital to get the industry moving in eastern Europe," says Mr David Wheeler, a corporate finance director at Lehman Brothers, the merchant bank. "It is not just rival flotations; successful privatisations in eastern Europe will need dedicated strategic partners, and they are in increasingly short supply." Deutsche Telekom has a particularly strong interest in the region, but with a DM70bn ($40.8bn) bill for modernising the network in the eastern German Länder, it has little spare cash.

If that seems unduly gloomy, the Asia Pacific region might offer an alternative model. There, economies took off and advanced telecommunications are following. Alas, there is no sign of a take-off of any kind in eastern Europe – with or without the telephones.

Eastern Europe's telecommunications

	Main lines 1991 (m)	Main lines required to reach 35 per 100 people (m)	Cost* ($bn)	Cost per year** ($bn)
Baltic states	1.8	1.07	2.14	0.24
Bulgaria	2.3	0.96	1.91	0.22
Russia	22.0	31.15	62.29	6.92
Ukraine	8.0	10.03	20.05	2.22
Czech Republic/Slovakia	2.5	2.95	5.90	0.65
Hungary	1.1	2.54	5.08	0.57
Poland	3.6	9.98	19.95	2.22
Romania***	2.4	5.78	11.56	1.28
Total	**43.7**	**64.46**	**128.88**	**14.32**

* Assumes an average cost of $2,000 per main line. ** From 1992-2000 inclusive in order to reach target by end 2000. *** Actual target – 25% penetration by 2005

Source: CIT Research

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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ERM: roles of a 'snake' and central banks

From Mr Lucien Peters.

Sir, Rather than fixing a new and arbitrary 15 per cent fluctuation band for most ERM currencies, ERM members might have been better off considering a mechanism that allows for both market forces and flexible excess control.

A true "snake" may be the answer. It could be created by first letting all ERM currencies briefly float in order to establish a true market reference exchange rate for currency couples and then introducing a flexible fluctuation band around the moving average (calculated for a uniform period of time) of each exchange rate. The boundaries for this band could be set at one or more standard deviation of each currency couple.

This snake would let market forces act quite freely, while also allowing for central bank intervention each time the boundaries or the flexible band are approached or touched. This way there would hardly be any need for periodic re-sets of rigid thresholds.

Lucien Peters,
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From Mr Daniel Oppenheimer.

Sir, No-one yet seems to have made the connection between the suspension of the ERM and the debate which took place earlier this year in the FT's letters column and "Personal View" column over the desirability of an independent central bank.

The episode provides excellent ammunition for both sides. Those who are pro-independence can point out that only an independent central bank could possibly have withstood the massive political pressure on Germany to sacrifice its low inflation record for the sake of European unity. Those who are anti-independence can point out how inflation is not merely a simple "technical" issue, but a deeply political one, and can argue that it is wrong that the (unelected) Mr Helmut Schlesinger, Bundesbank president, can overturn the desire of (elected) politicians to move towards greater European unity.

You pays your money and you takes your choice.

Daniel Oppenheimer,
Hanakoganei 3-12-23,
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Greater beneficiaries of Uruguay round

From Mr Adrian Hewitt and Ms Sheila Page.

Sir, Richard Blackhurst (Letters, August 2) points out that a Uruguay round settlement will bring net gains in trade leading to absolute gains in income and employment in the US and European Community. The gains for many developing countries may be proportionally even greater.

Developing countries will gain from the rise in world income for all the reasons outlined by Mr Blackhurst. But they have an additional interest because this round has for the first time included two sectors, agriculture and textiles and clothing, that did not benefit from the reductions in barriers achieved by other goods in previous rounds. These sectors are those of greatest interest to developing countries, which are seeking to sustain export expansion without succumbing to "jobless growth".

On the basis of the Dunkel Draft settlement, the Overseas Development Institute (in *The Gatt Uruguay Round: Effects on Developing Countries*) has estimated that the effects from these net export gains alone would be at least 3 per cent of the value of their exports (equivalent to $25bn), and could well be twice that. These figures in turn could be doubled by effects from the income gains to their industrial country trading partners, and the wage advantage for export production over local markets is probably even greater for them.

This explains why so many developing countries are participating fully in the Uruguay round negotiations for the first time.

They have viewed the recent US-EC stand-off on agricultural protection with irritation at being treated as bystanders at what they hope will be a feast for all.

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Among top 10 for equality

From Ms Lesley Abdela.

Sir, One further invaluable thing Robert Horton will bring with him to Railtrack ("Hatchet honed to a softer point", July 31/August 1) is a solid commitment to equal opportunities. From interviewing him at BP for the European Commission video, "The glass ceiling breakers", I'd rate him in my list of top 10 males in industry, along with BT's Iain Vallance, who really believe companies will be more successful if women are treated, trained and promoted on equal terms with male colleagues.

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Role in private sector projects essential for success of the EBRD

From Mr Andrew Klinoff.

Sir, While I might agree with your assertion that the ideal candidate for the presidency of the European Bank for Reconstruction and Development (EBRD) should combine the qualities of Messrs Balcerowicz, de Larosière, Stern and Lady Thatcher with "knowledge of the economic task ahead, impeccable integrity and political weight" (Leading article: "New leader for EBRD", July 22), I must disagree with some of your other conclusions.

That Europe may have "no shortage of private merchant bankers" may be true. But how many are operating in eastern Europe and the former Soviet Union? And, indeed, how many can really afford to, given the opportunity costs? Does anyone seriously believe that most governments or companies in the region can pay for the advisory services of Morgan Stanley or Warburgs? Or need the services in which they truly excel, such as bond and equity issues, derivatives and M&A?

A public sector merchant bank could, on the other hand, provide those services that are needed in the region, such as restructuring and privatisation advice, plus fresh cash to local privatised firms and to those few foreign investors willing to risk some of their own money in projects in eastern Europe and the former Soviet Union.

More fundamentally, however – and in contrast to what you say – lending to private projects is not only a necessary and a sufficient condition for the development of healthy economies based on the private sector. It is the only viable way for an institution of the size and scope of the EBRD. (When fully disbursed, EBRD assets will total about US$12bn. The World Bank total is nearly $140bn, while Dai-Ichi-Kangyo, the largest bank in the world, holds more than $450bn!)

Only through structuring and investing in private sector projects can the EBRD simultaneously help to attract more foreign investors, finance infrastructure, formulate policy, and develop institutions and a viable legal framework.

Such issues as policy formulation, in eastern Europe and the former Soviet Union, can be dealt with only through concrete examples of live projects that will lead to Bank financing. And unless such issues are resolved as part of a concrete project, they simply result in theoretical discussions.

To question this approach, and suggest that the EBRD be organised by countries, with a country or sector strategy determining what the Bank does, seems reasonable. But it is not. The private sector and the market work in their own way to allocate resources and reward risk and entrepreneurship.

Communist countries allocated resources through a central plan based on country and sector strategies. This didn't work for them, so why should it work for the EBRD?

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FINANCIAL TIMES

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After franc fort a franc float

THE FRENCH government has reason to feel aggrieved at Europe's weekend reversion to dirty floating exchange rates. Some combination of Belgian, Danish, Dutch and German opposition to the temporary departure of the D-Mark from the exchange rate mechanism, and the clearly second-best adoption of very wide ERM bands, has forced France to sanction what appears to be an implicit and politically embarrassing franc devaluation. But the new soft ERM does now give the French government the freedom to deliver what its economy desperately needs: a substantial cut in interest rates. If the benefits of the last 10 *franc fort* years are not to be squandered, it should take the opportunity.

To do so, France must first recognise that the useful life of the *franc fort* policy – designed to secure low inflation by tying the currency tightly to the D-Mark – has passed for now. This is not to suggest either that the *franc fort* policy has failed or was misconceived – quite the reverse. France currently has an inflation rate half that of Germany and, more significantly, a marginally lower interest rate on its long-term government bonds. France is now paying to Germany the highest compliment a tutor can hope for: imitation which surpasses the teacher's own abilities, a fact that may discomfort the Bundesbank president, Helmut Schlesinger.

Moreover, France has used the *franc fort* years to amass sizeable gains in competitiveness. The franc has appreciated by more than 5 per cent against a basket of European currencies since the beginning of 1987, when the last wholesale ERM realignment occurred. But consistently low rates of wage inflation relative to its competitors have more than offset any loss in competitiveness from this nominal appreciation. French industry thus finds itself, despite the appreciation of the past nine months, in a much stronger competitive position than when the policy began.

D-Mark appreciation

But the *franc fort's* success, combined with the wayward behaviour of Germany since unification, has made the policy increasingly inimical to French interests. Germany's need to shift resources from west to east, the government's fiscal profligacy, and the resulting shift to a current account deficit, have required the D-Mark to appreciate and German interest rates to rise. But the combination of the hard ERM, and France's stubborn resistance to a D-Mark appreciation, have transmitted excessively high interest rates and an unnecessary recession across Europe. The success of the *franc fort* policy in reducing French inflation meant that short-term real interest rates became ever more painful, and ultimately unsustainable.

Mercifully, for French companies, banks and consumers, the French government now has the flexibility to re-orientate its distorted economic policy. The priority for the French government must be to ensure that it can return, as soon as possible, to economic growth with low inflation.

Cut rates

First, the government must cut short-term interest rates by at least 2 percentage points. Every domestic inflationary indicator suggests that French monetary policy remains far too severe. Broad money growth, at 3.1 per cent over the past year, is too slow to sustain a recovery, while three-month money market interest rates of 7 per cent mean that the yield curve remains inverted. Consumer price inflation is less than 2 per cent a year and wage inflation fell to an annual rate of 2.6 per cent in the second quarter, its lowest level in more than a decade.

Second, the French government must consolidate its reputation for low inflation. By accelerating changes at the Bank of France which can entrench the bank's nominal independence, and explaining how domestic monetary indicators will be monitored, it can demonstrate its commitment to keeping inflation low.

Third, France should accept that it cannot rejoin Germany in a system of narrow bands (even in a reformed ERM) until the latter's inflationary and fiscal problems are under control. Rejoining before German interest rates have fallen substantially would not be consistent with price stability in France.

What the government must not do is attempt to keep the *franc fort* policy alive by trying to shadow the D-Mark in its old ERM bands. That would mean resisting the interest rates French industry desperately needs, and perversely, may well increase the chances of the French franc falling much further and making the politics of an eventual return to a hard ERM more difficult. Economy minister Edmond Alphandéry was right to say early on Monday morning that franc stability, both domestically and on the foreign exchanges, would be the priority for French monetary policy. Both objectives imply that the *franc fort* policy should be mourned and then, for a period, forgotten.

Asia and the global village

ON THE streets of Kuala Lumpur, it is impossible to buy newspapers from neighbouring Singapore. In Singapore, a self-styled hub of global communication, there is a parallel ban on selling newspapers from Malaysia. Both countries have shouldered their way to the front among developing nations in terms of growth and rising income levels. But their governments – though they are vying with each other to host regional media centres – continue to take fright at the flow of information which, they fear, could in some way destabilise them. They are jumping at shadows, particularly when they rail – as Malaysia's prime minister did yesterday – against the spread of satellite television.

Singapore's government has mostly managed to keep the lid on many kinds of behaviour it regards as anti-social – including satellite television – partly thanks to enviable success in delivering higher standards of living, and partly because of its compactness. In this haven for business, the editor of the country's own leading business newspaper has run foul of the law for publishing a quarterly gross domestic product growth estimate before its official release. The government's action this week to limit the circulation of the Economist, half-owned by the Financial Times, is but the latest in a string of actions against foreign media organisations.

Totalitarian governments

In the rest of the world, however, government attempts to control information have long been exposed as futile. The lesson of the ex-Soviet countries is that in the end, even totalitarian governments could not curb the use of the *samizdat* fax machine and the incursions of foreign broadcasters.

In Asia, the proliferation of satellite dishes in countries which restrict their sale – Malaysia, Indonesia and China – underlines the growing difficulty of controlling choice when rising living standards feed the appetite for entertainment. Star Television, the Hong Kong broadcaster, has developed a huge viewership among Asian audiences who welcome the variety offered by its five channels. Dr Mahathir Mohamad, prime minister of Malaysia, is alarmed at Mr Rupert Murdoch's purchase of a controlling stake in Star TV. He suggested yesterday that Mr Murdoch's purpose was to "control the news that we are going to receive," and launched into a familiar attack on the western press for its portrayal of Asian countries.

Indigenous culture

Some concerns of Asian governments are understandable. They fear that indigenous culture will be undermined by a seductive diet of MTV and soap operas; they are right to want news that reflects their citizens' priorities. The answer, however, does not lie in any attempts at direct control, any more than it lay in UN-sponsored attempts a decade ago to promote a "new information order" purged of western values.

Citizens want choice: technology ensures that they will have it. Governments should focus upon fostering an environment in which choice can flourish. That means restricting concentrations of ownership and nurturing the kinds of media which they feel to be beneficial. For example, Dr Mahathir suggests that Asian countries should start their own network. Many south-east Asian newspapers are already very profitable and could easily invest in development of new pan-Asian media.

The experience of Hong Kong and Thailand suggests that the economic miracle is not threatened by press freedom.

In controlling their own press and railing at the western media, leaders of some Asian countries betray their pre-occupation with past battles and their failure to come to terms with their own economic success.

At 7.30 yesterday morning, UK banks crossed a threshold. National Westminster Bank reported the first fall for three years in its debt provisions. The bad risks taken by the clearing banks in the late 1980s are finally starting to recede into history. Yet banks are not just looking back on the recent past with relief: they are also vowing never to expose themselves to the same degree of danger again.

Risk is at the heart of banks' traditional business. They lend money at rates of interest, taking the risk of default. But the boom of the late 1980s and subsequent recession taught them a harsh lesson: they had exposed themselves to far bigger risks than they realised. Banks' share prices are now trading at a 15-year high relative to other industries, partly because investors believe their earnings will not be allowed to swing so wildly again.

The very model of a modern risk

John Gapper on efforts by UK banks to ensure capital is allocated to operations with the best real returns

The fluctuation in earnings between the late 1980s and now led to banks' capital being eaten away when they started sustaining losses on lending. At the same time, lending margins were reduced by competition and large companies borrowing money on the capital markets. Banks have concluded that they must find ways of making money other than simply lending it, because the old margins on lending do not cover risks adequately.

The initial response has been to diversify into operations which produce fees and commission rather than interest. In retail banking, this means selling life insurance and other financial products. On the corporate side, it means capital markets and securities operations. But underlying this is a questioning of whether banks should carry on lending money under the same conditions as in the past.

The most extreme reaction to the emergence of unforeseen risks would be to stop lending completely. US banks such as Bankers Trust have been cutting down the number of loans they hold on their balance sheets, while seeking new trading income. It would be near inconceivable for UK clearing banks, with their huge range of retail and wholesale businesses, to stop lending. But it is quite likely that they will increasingly avoid lending that carries higher risk.

Bankers insist, however, that they will not retreat. "If we were not going to take any risk, we could just buy US treasury bills and not employ anyone," says Mr Richard Goeltz, National Westminster's chief financial officer. But others admit that there is at least temporary caution. "Banking got a monumental shock in the 1980s, and it takes time to recover," says Mr John French, head of risk at HSBC Group.

Banks face a harder task than just recovering their nerve. There are several ways in which business may be riskier than in the past. One is that lending mistakes will not be nullified by asset price inflation: a rise in the value of the underlying security, such as property, will not bail out debtors. A second is that the growth in the use of derivatives – new financial instruments – like currency swaps may increase risks such as exposure to other traders.

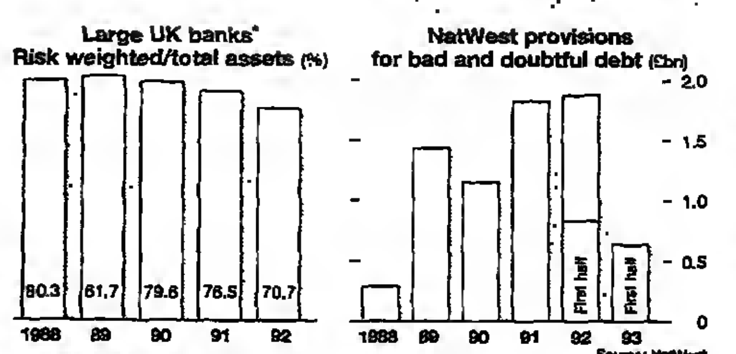
More broadly, banks are increasingly operating in an open environment in which their mistakes are exposed to both public comment and regulatory punishment. Mr Mervyn Pedelty, head of risk management at TSB Group, says the bank treats compliance and image as elements of risk. "The reputation of a business like ours is very important, because you cannot sell products to customers if you have a poor reputation," he says.

Faced with these challenges, banks are now trying to devise methods of better assessing risk. They are taking a lead from Bankers Trust, which developed measures of return on capital, weighted by risk, to choose where it should allocate funds in trading operations. The intention of risk-adjusted return on capital (Raroc) measures is to ensure that the bank allocates its capital to operations with the best real returns.

NatWest has started to assess its operations against two measures of risk-adjusted return. It has calculated returns over past business cycles to measure both the average annual return in each operation, and the minimum likely return in poor years. It is trying to identify not only how profitable its operations are, but also how volatile their returns are, and thus how exposed the bank is to cyclical swings.

Mr Goeltz says the analysis has been thought-provoking, but he is unwilling to discuss which operations it raises doubts about. "There are a couple of real shocks, things that defy the conventional wisdom," he says. He argues that the process provides the bank with a useful discipline. "With the figures, you can challenge managers. You can say: 'Here is what you are going to have to do to make a return,'" he says.

The question is whether the model can be used to do more: can UK banks start to allocate capital according to risk models? Most banks doubt the validity of such a notion for two reasons: first, because they are more complex businesses than Bankers Trust, which focuses on securities trading and derivatives; second, branch managers may encounter difficulty applying the results of an analysis.



UK bank capital*

£bn	1988	89	90	91	92
Total capital	36.22	38.23	36.95	38.09	40.18
Total assets	392.8	461.7	471.1	476.8	535.6
Weighted assets	315.4	377.1	374.9	364.8	378.5

Source: Bank of England Banking Act Report 1992 · * Top eight

The range of activities in a large British bank is such that it is extremely hard to compare them. "Our trading operations may have nice mathematical tools to manage risk, but we have no means of comparing the profitability of sterling swaps to mortgages, or US credit cards," says Mr Goeltz of NatWest.

In addition, banks may lack sufficiently reliable data to judge the risks of lending. Trading in securities and capital markets is rapid enough to produce a store of data, but credit risk is governed by long-term economic cycles. Few banks have data going back far enough. And their most recent information has been drawn from the extreme and probably atypical economic conditions of the late 1980s.

The second problem of introducing risk analyses is practical. Dealers may understand the notion of trading positions based on limited allocations of capital, but such a way of working is alien to lending managers. Mr French says HSBC has not adopted such measures because they are unlikely to be understood well enough to be useful. "You can produce the most sophisticated measures going, but if your people do not comprehend them, they are no good," he says.

Mr Martin Cruttenden, head of risk management at Lloyds Bank, argues that Raroc models do not suit big retail banks. Models may lend direction, but they are not a means of running operations. "The only area of operations where we feel the need for that degree of analysis is our treasury," he says. At the branch level, he believes there is "no substitute for a manager's intelligent knowledge of the customer".

Yet whether risk models are used is not the most important question. More vital is how banks' behaviour will be changed by their general sense of increased risk. They have already shown signs of trying to reduce their exposure. Banks' assets are weighted according to how risky they are thought to be, and the ratio of risk-weighted assets to total assets has fallen from 80 per cent to 70 per cent over the past five years.

So although balance sheets have not contracted, higher-risk assets such as commercial loans have shrunk as a proportion of the total. As banks enter a period of limited lending growth, a continuing shift in the mix of assets could result in real cuts in some forms of lending. The most obvious targets would be lending to small businesses on which bad debts have been high, and some industrial sectors such as construction.

Bankers resist such a suggestion. "Of course our managers who have had their fingers burnt do not forget it easily, but our job is to manage risk, not to avoid it," says Mr John Davies, deputy chief executive of Lloyds. Yet there are reasons beyond the strict logic of risk management for bankers to seek forms of lending which avoid the extremes of high profits in good times, and heavy losses in the odd bad year.

The risk models may find nothing wrong with holding a mix of assets which produces such high returns in most years that it offsets exceptional losses, but neither bank investors nor executives are likely to agree. The high share prices enjoyed by banks at the moment have encouraged them to be more cautious than before. Many bankers believe that banks have started to even out the old cyclical swings in earnings that used to plague them.

Banks are therefore likely to prove cautious about simply plunging back into high-margin and high-risk lending, such as property, that attracted them so disastrously in the past. Avoiding such risk may please bank shareholders, but it will have unknown effects on the financing of economic recovery. Banks *may have crossed a threshold* yesterday, but the customers who come to them for loans could come to regret the achievement.

No time to relax

On the face of it, there could hardly be a more comfortable time to be a banking supervisor. The attempt by banks to reduce their levels of risk from the reckless late 1980s should simplify the task of the Bank of England. Rather than having to rein in the banks, it could theoretically enjoy a spell of peace and quiet as they start to amass capital and spurn the poor lending of the past, writes John Gapper.

It does not appear that way to Mr Brian Quinn, executive director of banking supervision.

His task under the 1987 Banking Act is to protect depositors' money. He can thus afford not to interfere, even if a bank has grown too cautious and is building up excess capital. "We are here to protect the depositor. If a bank chooses to become overcapitalised then so be it. That is a commercial decision," he says.

Yet his job is becoming more complex, for several reasons:

● Derivative products, such as interest rate swaps, may help reduce the obvious balance sheet risks faced by banks, but they raise other, less quantifiable risks, such as credit exposures to the other parties involved. This means that the chance of a catastrophic loss that could affect the financial system could be increased by the banks' efforts to avoid smaller losses, about which the Bank is sanguine.

● As banks review past risks, they could all shift capital into promising businesses, such as private banking, at the same time. This could reduce their profitability: margins would fall as they competed with each other. The central bank is the only body that can see where they are all heading at once. "One of our strengths is that we know when everyone is coming in here at the same time talking about the latest fad," Mr Quinn says.

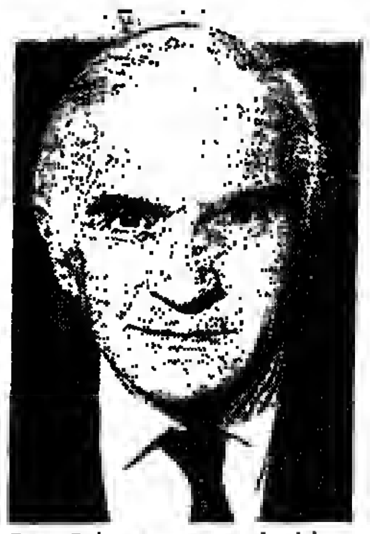
● The Bank now faces demands to judge complex models of risk intended to help allocate capital. This could mean that it would be approving an approach to banking, rather than just checking banks' safety. Mr Quinn regards the approval of models as little better than deciding on loans. "Judging models is very close to judging credits, and that is the banks' job, not ours," he says.

● Capital may be taken away from types of lending that have proved riskier than expected. This difficulty has been highlighted by the Bank's own work on risk, following the excesses of 1980s lending. Its analysis of risk over cycles found that some industrial sectors, such as property, not only responded with more volatility to economic conditions, but followed the cycles more closely.

Barclays is one bank that has said it intends to rebalance its portfolio to reduce the exposure to property lending. Other banks could make similar decisions that would affect credit in the economy for which the Bank has responsibility as a monetary authority. Yet there is no logical reason for a bank supervisor to interfere in a process that is likely to strengthen banks.

Indeed, Mr Quinn insists that the Bank's monetary role is irrelevant. "That does not come into [my task]. If I see from examining banks' books that asset growth will be slower, I do not bring any pressure to bear to alter that," he says. He has views, however, on the inadvisability of banks cutting off lending to particular sectors just because they have previously priced such lending inadequately.

"The lesson is not that you should stay away from property, but that you should analyse it, and price loans properly," he says. Nonetheless, the severe swings in profitability in some forms of lending do carry a higher risk of sudden catastrophic loss, which would affect depositors. The Bank has its own reasons to encourage banks to turn away from riskier lending with higher cyclical losses.



Brian Quinn: a more complex job

OBSERVER

A minor omission

■ When John Tusa, the new president of Wolfson College, Cambridge, stepped down after six years running the BBC World Service, there was mild surprise in some quarters that he did not get even a minor mention in the Queen's birthday honours list.

After all he left the World Service in better shape than he inherited it.

However, this oversight is nothing compared with his latest humiliation in the BBC annual report. Four retiring governors are thanked for their "distinguished" service and there is a decent mention for Johnny Beerling, the former controller of Radio One.

But Tusa, who introduced some pretty radical changes at the World Service, is relegated to a footnote listing the outgoing members of the board of management.

Yesterday BBC chairman Marmaduke Hussey tried to make amends. He sent his chauffeur to deliver a note to Tusa, who had been presenting the BBC TV lunchtime news, apologising for "the regrettable oversight".

Surely the "oversight" could not have had anything to do with the fact that Tusa had let it be known that he was never given the chance to apply for the director general's job at the BBC? He was a firm favourite of the staff, which possibly explains why the chairman didn't love him.

Cabinet maker

■ Tory spin doctors charged with repairing the party's battered image have another potentially explosive event to pencil into their Filofaxes.

The BBC announced yesterday that its four-part series *Thatcher: The Downing Street Years*, will run in October. The date has not been fixed but it would be a miracle if did not coincide with the Tory party conference in Blackpool. A "no-holds-barred" interview with the *grande dame* is promised, duly offering yet another opportunity to re-open old wounds just when party managers will be desperately trying to rally the party faithful.

Scant consolation that Hugh Scully, the executive producer, made his name as presenter of *The Antiques Roadshow*.

Sunday disservice

■ Former presidential hopeful Ross Perot should stick to chat shows. If anyone still thinks the jug-eared millionaire holds promise, they were not listening to his grilling on last weekend's "Meet the Press".

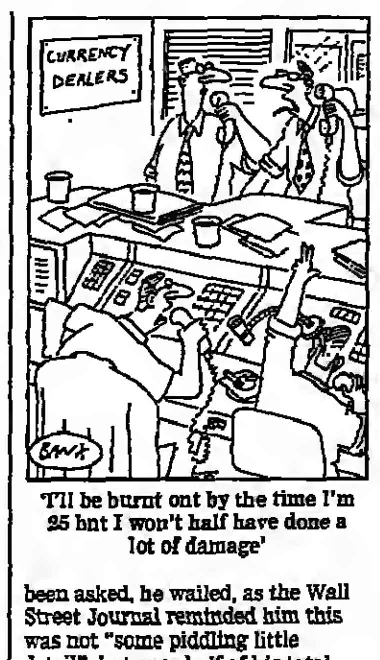
Repeatedly quizzed by journalists over his plans to slash health spending, Perot claimed he had left his "very detailed list" at home. He would have brought it had he been asked, he wailed, as the Wall Street Journal reminded him this was not "some piddling little detail", but over half of his total proposed spending cuts.

Just stopping short of making history by becoming the first guest in 46 years to walk off the show, Perot tried to turn the tables.

"Washington doesn't keep books. It's like flying blind in a 747 down on the deck, wide open through the mountains at night in the fog," spluttered the one-time master of the sound bite.

When someone politely enquired whether Perot planned to stand again in 1996, the Texan replied that he hoped it would be unnecessary. As a Republican candidate then? "That would be up to them."

All in all, as Clinton's campaign strategist James Carville remarked, Perot would have been better off in church last Sunday.



'I'll be burnt out by the time I'm 25 but I won't half have done a lot of damage'

Media morsels

■ A couple of weeks ago Observer highlighted an apparent correlation between the financial performance of media-buyer Aegis and the type of refreshment it serves up at its agms. The fancier the comestibles, the better the results – and vice versa.

Now BBJ Media Services – one of Aegis's many children – has picked up the largest media-buying account to change hands so far this year: Ranks Hovis McDougall's annual advertising spend of £18m.

Given the brands within the RHM portfolio – Bisto gravy, Paxo stuffing, a host of Chinese and Indian chutneys and sauces, and Mr Kipling's ready-made cakes – Observer feels slightly queasy at the thought of what kind of fare will be dished out at Aegis's next presentation.

Bugger Bognor

■ A sure sign that the silly season has started. Two British seaside resorts are in a flap after discovering their money-spinning Birdman competitions clash next Sunday.

To win, entrants must launch themselves off a ramp on the two towns' respective piers and "fly" under their own power across the sea. Competitors can use wings, skateboards and mountain bikes to assist their take-off. Bognor Regis has hosted the event for the past 21 years and was the site of last year's record flight of 86.4 metres.

However, a predator has appeared on Bognor's horizon. Eastbourne, a bigger rival, threatens to swoop off with many of the 160,000 visitors who attend the high point of Bognor's tourist season. Eastbourne's excuse is that its Birdman competition is just one of nearly 50 events taking place in a five-day air festival.

"I think Bognor is quackers to get upset," says Eastbourne marketing chief Tony Clarke – which is a rather more polite version of the alleged last remarks of King George V, the man who gave Bognor its Regis, on being told that he would soon be well enough to visit his favourite seaside resort again.

Top of the cops

■ A letter-writer to the South China Morning Post last week suggested the headline all the journalists missed when Rupert Murdoch bought control of HutchVision, operator of StarTV: "Star, Sky and Hutch".

FINANCIAL TIMES
Wednesday August 4 1993

Serb and Croat leaders called to Bosnia talks

Mediators step up pressure on Izetbegovic to join negotiations

By Laura Silber in Geneva, Gillian Tett in London and Michael Littlejohns in New York

INTERNATIONAL mediators yesterday summoned Mr Slobodan Milosevic, Serbia's president, and Mr Franjo Tudjman, his Croat counterpart, back to Geneva in an effort to salvage the Bosnian peace talks.

Last night's move appeared aimed at exerting pressure on Bosnia's president, Mr Alija Izetbegovic, to return to the talks on the republic's ethnic partition.

For the second day Mr Izetbegovic refused to attend the peace talks until Bosnian Serb forces withdrew from Mount Bjelasnica, a strategic peak southwest of Sarajevo.

He also appeared to be waiting to see if Nato would launch air strikes on Bosnian Serb artillery laying siege to Sarajevo. A Nato council meeting in Brussels yesterday morning approved a US plan to use air strikes to break the siege.

Mr Izetbegovic yesterday wrote to the United Nations and European Community appealing for urgent military help.

Mr Reginald Bartholomew, US President Bill Clinton's peace envoy, returning from the Nato meeting, held talks with Bosnia's Moslem president in a bid to dissuade him from de-railing the peace talks by holding out for western military intervention.

In London, Mr Douglas Hurd, the UK foreign secretary, also sought to step up the pressure on the Moslems by warning them that although Britain was prepared for military action, they should not stall the peace process by hoping for military aid.

Bosnian Serb officials warned privately that if the Moslems boycotted the talks, Serbian and Croatian leaders would continue negotiations and exclude the Moslems from an agreement.

The Moslem-led Bosnian delegation was plunged into deeper disarray when the three Croat members of Bosnia's collective leadership staged a walk-out in protest against a Moslem advance and attacks on Croat troops in Gornji Vakuf, central Bosnia.

Mr Tudjman, before leaving for Geneva, welcomed the Croatian protest. "I think it will introduce more seriousness to the negotiations and lead Izetbegovic to stop offensive operations and ethnic cleansing against Croats," he told journalists.

In violation of a UN accord, Mr Tudjman said his troops would not withdraw from Maslenica bridge, which joins northern Croatia with its southern Dalmatian coast until Serb forces handed over their heavy artillery.

Mr Tudjman spoke after the pontoon bridge was partially submerged by Serb artillery fire when Croat troops failed to pull back from the region.

The White House welcomed the Nato agreement and stressed that the threat of force was real. But as a sign of the diplomatic disagreements still dogging the allied plans, Mr Boutros Boutros Ghali, the UN Secretary General, again emphasised that only he could give the go-ahead for the air strikes.

Mr Boutros Ghali is not expected to take any initiative on the use of air power until he receives a specific recommendation from General Jean Cot, the French commander of UN forces in the Balkans. Hours after the Nato agreement, UN officials said no request had been received.

Italian court gives order over executives' assets

By Haig Simonian in Milan

MONTEDISON, the Italian chemicals group deeply implicated in the country's spiralling political corruption scandal, has obtained permission from a Milan court to sequester up to L500bn ($312m) in assets from each of six former top executives or their relatives.

The temporary order, made in advance of a formal hearing on August 16, is against former senior managers and members of the Ferruzzi family, which controls Montedison through the Ferruzzi Finanziaria (Ferfin) holding company.

Ferfin is now run by new managers who were imposed by bank creditors to the heavily indebted group. The holding company said the court action had been taken after the disclosure by Milan magistrates of "various cases of mismanagement which have emerged from recent audits authorised by the new management and from the criminal investigations".

The company said the sequestration, which also involves indirectly held assets such as bank accounts, was already under way. Ferfin warned that it might take further action against other managers or seek to raise the amounts being sequestered.

The sequestration list includes the heirs of Mr Raul Gardini, the entrepreneur who shot himself last month, Mr Carlo Sama and Mr Arturo Ferruzzi. Mr Ferruzzi, Montedison's former chairman, is the son of Ferruzzi's founder, while Mr Gardini and Mr Sama are married to two of the founder's daughters. Also on the list are Mr Giuseppe Garofano, Mr Roberto Magnani and Mr Romano Venturi, three former Ferruzzi executives.

Mr Garofano and Mr Sama have been important sources for the Milan magistrates who have been investigating alleged political corruption involving the former Enimont chemicals joint venture between Montedison and the state-owned Eni energy and chemicals group.

Their testimony, which has been widely leaked and is believed to be reliable, alleges that Ferruzzi and Montedison paid about L135bn in kickbacks to politicians between Enimont's creation in 1989 and its collapse a year later. Mr Garofano has also alleged other financial irregularities at Ferruzzi and Montedison while it was being run by Mr Gardini.

Ferfin's aggressive stance follows the opening of a further legal front last Friday, when its new management began action against Eni over compensation claims linked to the winding up of Enimont. Eni, which bought out Montedison's 40 per cent stake, is claiming about L800bn in damages to clean up former Montedison chemicals plants.

Spain calls for three-year wage and dividend curbs

By Peter Bruce in Madrid

THE SPANISH government has asked unions and employers to accept a three-year incomes policy that would freeze both wages and dividends to shareholders next year and only permit small rises in 1995 and 1996.

The proposals are similar to an initiative rejected by the unions in 1991, but have added urgency as Spain's economy sinks further into recession and unemployment hovers at a record 22.3 per cent.

The move has been received with equanimity by employers and some hostility by unions.

It represents probably the most explicit effort by government to regulate incomes since Spain became a democracy in the late 1970s. The government has told employers it wants companies involved in the agreement to maintain employment levels.

In late-night talks in Madrid on Monday, the government also said it wanted to prevent senior corporate managers being awarded "armour-plated" contracts which would guarantee large pay-offs if they were fired. Negotiators said they would start removing these contracts in the public sector.

The management contracts and firing freeze are aimed at softening union suspicions. Union leaders said yesterday they were unhappy with a wages freeze and that they wanted concessions on social policy.

Under the proposals, all wages and dividends would be frozen next year and would rise below inflation in 1995. Any increase in 1996 would depend on the state of the economy. The CEOE, the main employers' federation, said yesterday it had no fundamental objection to the proposals. Profits have been hit by the deepening recession.

The public airing of the proposals - one of the main elements of prime minister Felipe González's efforts to manage the country's economic crisis following his re-election in June - coincided yesterday with signs that the Bank of Spain has begun to test the currency markets for deeper interest rate cuts later in the year.

Following the weekend widening of fluctuation bands in the European exchange rate mechanism, the Bank yesterday cut its benchmark intervention rate half a point to 10.5 per cent. The peseta strengthened sharply against the D-Mark despite the cut.

Madrid hopes the widening of the ERM bands will enable it to concentrate on putting urgent fiscal and structural reforms in place. It wants the incomes agreement in place by the end of September and a much wider labour market reform - which could make it cheaper and easier to fire workers and liberalise closed professional tariff structures - by January 1994.

GM spurns VW chief's peace initiative

Continued from Page 1

between the two groups as a war, designed to damage VW and the German motor industry. He would win, he said, and warned Fiat and Peugeot that they could be the next targets.

Opel had misused the public prosecutor's office, the media and public opinion, he alleged. He claimed the US group was leading a personal vendetta against Mr López.

Mr López, just back from holiday, is expected to be questioned soon by public prosecutors on suspicions of involvement in industrial espionage.

A recently started investigation of the spying suspicions by the US Justice Department has added a political dimension to the affair.

VW, refusing to discuss demands for a retraction or details of contacts between Mr Smith and Mr Piëch, said its chairman would reply to Mr Smith's letter.

THE LEX COLUMN

Capital returns

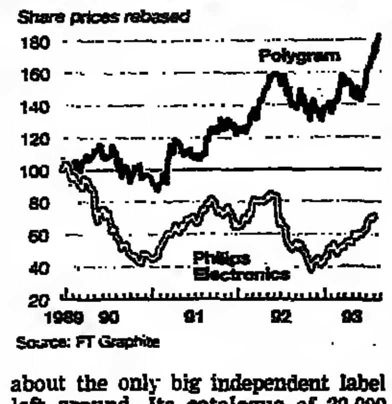
National Westminster has long justified its low capital ratio with the argument that bad debt provisians would come down before loan demand began to accelerate. So far, that gamble has paid off. Lower bad debt provisions helped double first-half profits despite a £159m charge for shedding retail business in France and Australia. Unlike Lloyds, NatWest has gone to the trouble of having its first-half figures reviewed by its auditors. Under new EC rules, that allows retained interim profit to count as tier one capital. With some judicious balance sheet management as well, the tier one ratio has risen to 5.5 per cent from 5.2 at the end of 1992.

In a period of weak loan demand when competitors such as Lloyds and Abbey National have too much capital, there may be an argument for economising on capital to boost returns. Even so, NatWest has to draw a fine line between efficiency and safety. Its ratio would still look skimpy if loan demand did revive. Pressure on lending margins while the economy remains weak will slow the flow of retained profits needed to position the bank for recovery.

Indeed, its interim figures reinforce the impression that operating profits in banking are hard to come by. At constant exchange rates, income before provisions grew by only 5 per cent. NatWest Markets put in an outstanding performance but its trading profits are not a guaranteed source of growth. It is hard to escape the conclusion that large banks cannot survive just by cutting costs and raising fees. Unfashionable though it sounds, they need interest income too.

FT-SE Index: 2945.0 (+3.3)

Polygram vs Philips Electronics



Source: FT Graphite

PolyGram

PolyGram is hardly buying Motown for a song. Even by the industry's funky standards, PolyGram is paying a lot for the black music label. The $301m consideration is almost five times the sum Motown fetched when it was sold in 1988. After subtracting the $50m value PolyGram is ascribing to the licensing and franchising activities, the acquisition price works out at 1.8 times its record sales. That may be similar to the multiple Thorn EMI paid for Virgin's music business. But then Thorn was able to make significant savings by merging its marketing and distribution activities. No such benefits are available to PolyGram, which was already acting as Motown's distributor.

Still, Motown has scarcity value as about the only big independent label left around. Its catalogue of 30,000 albums contains some compulsively foot-stomping hits. New artists such as Boyz II Men and Another Bad Creation suggest it also has growth potential. PolyGram's 19 per cent increase in interim profits testifies to its skill in exploiting such raw material.

The deal again raises the vexed question of whether Philips should give its infant prodigy greater leeway by selling off more shares. But PolyGram's rights issue suggests it already has a fair degree of financial autonomy, diluting Philips' holding to 75 per cent. Even though it is strapped for cash, the Dutch giant is hardly going to be singing I Want Money when it reports its second-quarter results on Thursday. PolyGram is likely to remain the sunshine of its life.

European privatisation

It is a virtually foregone conclusion that the international reach of large US securities houses will bring them a prominent role in European privatisation. The question is whether this will also mean the introduction to Europe of a US-style fee structure for new equity issues. US equity offerings typically carry fees of 5 per cent or more compared with around 3 per cent currently for European privatisations. Moreover, the oligopoly enjoyed by US lead managers allows them to take the lion's share of the total.

Fair though US share allocation rules appear on paper, the lead manager has undisputed power over the allocation process. Institutions which want to be sure of receiving shares may thus direct orders towards the lead manager; co-lead managers receive a guaranteed but small share of the spoils to encourage them to acquiesce. But the system also limits their incentive to work on behalf of the vendor.

The UK sought to avoid this sort of result in the latest BT3 issue. Share allocations were supposedly determined by an impartial formula. Even so, there was a tendency for buyers to designate S.G. Warburg as the recipient of their fees. Warburg thus walked off with around a third of the total. The lesson for would-be vendors is clear: they must watch the allocation process carefully to ensure the syndicate is giving them value for money. As for Warburg, it has discovered how successfully it can sell shares in the US. Perhaps it should strike out on its own there and undercut the bloated domestic houses.

British Coal

The government's haste to unload British Coal is perhaps understandable, as the clock is already ticking on the corporation's cosy five-year contracts with the electricity generators. If private mine operators are to stand any chance of making money, they will need more than the fag end of the current contract followed by an uncertain market after 1998. Trade buyers will only be interested in packages of pits which will repay their equity investment before the contract expires.

Whether the government can deliver in short order is, however, another question. Knotty issues such as the separation of environmental liabilities, responsibility for employees and changes to safety regulations still need a great deal of work. Whatever the progress of the legislation, it may not be possible to resolve all of these technical issues before the end of 1994.

The underlying market for coal is also deteriorating, with the prospects for production after 1998 dim. Abolition of the franchise market in electricity will increase uncertainty and push the generators towards short-term coal purchases. Gas and nuclear output will also squeeze coal's share of the base load market, while environmental legislation may make ageing coal stations uneconomic. Against this, it may be very difficult to sweeten British Coal sufficiently to attract outright buyers. Leasing pits to operators might prove simpler, even if it does not finally rid the government of the shadow of Old King Coal.

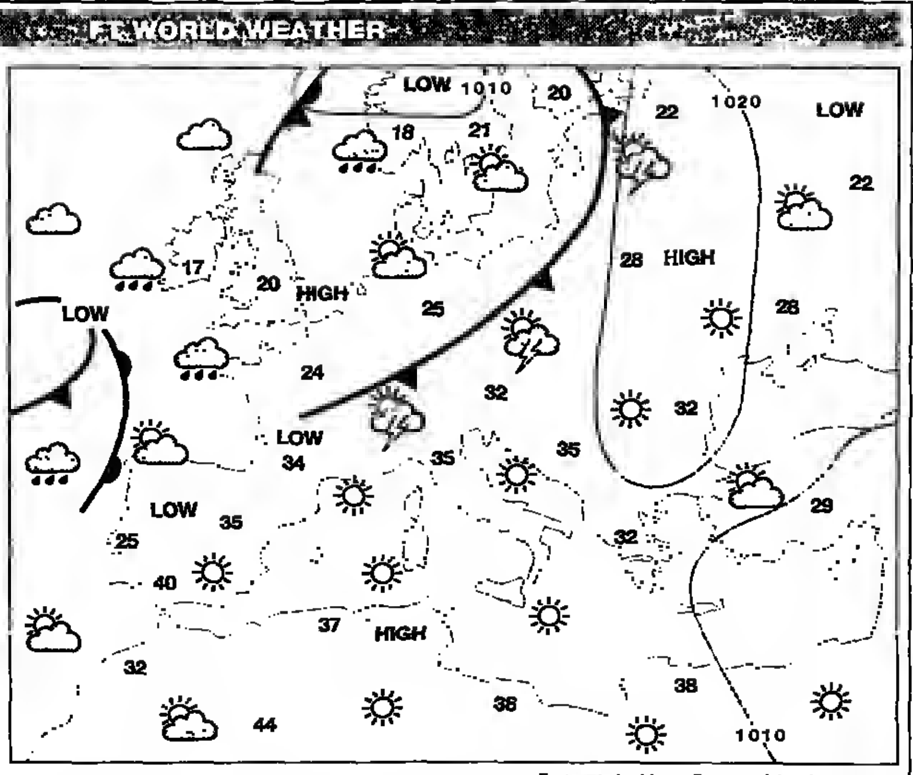
FT WORLD WEATHER

Europe today

Most of western Europe will continue to be slightly unsettled. The heaviest rain will fall in Ireland, western England and Norway.
Elsewhere around the North Sea, northern France and Germany it will be dry with some sunshine. Afternoon temperatures will vary from 20C at the North Sea coast to 28C in north-eastern France.
Warm air will remain over central and southern Europe. Where the warmth combines with cooler air to the north, thunder showers will develop from southern France over the Alps into Poland and the Baltic states. Some thunder showers are also likely over Finland. Sunny and warm conditions will persist around the Mediterranean. Dry, strong winds will continue over the Aegean sea.

Five-day forecast

High pressure arriving from the Atlantic high will bring dry and settled conditions to the Benelux countries, France, Germany and the southern UK towards the weekend. However, *it will remain unsettled in Scotland and Scandinavia.*
Southern Europe will continue to be warm and sunny. Very high temperatures are expected over Spain and Portugal during the next few days.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	38
Accra	cloudy	27
Algiers	sun	37
Amsterdam	fair	21
Athens	sun	35
Bangkok	rain	32
Barcelona	sun	31
Beijing	shower	31
Belfast	rain	17
Belgrade	fair	34
Berlin	sun	28
Bermuda	fair	31
Birmingham	cloudy	19
Bogota	fair	18
Bombay	rain	28
Bordeaux	shower	30
Brussels	fair	23
Budapest	fair	34
Buenos Aires	cloudy	19
Cairo	sun	38
Cape Town	fair	16
Caracas	sun	33
Chicago	cloudy	23
Cologne	fair	26
Copenhagen	shower	21
D' Salaam	cloudy	29
Dakar	cloudy	30
Dallas	fair	36
Darwin	shower	30
Delhi	cloudy	37
Dubai	fair	38
Dublin	rain	18
Dubrovnik	fair	34
Edinburgh	cloudy	19
Faro	sun	32
Frankfurt	fair	30
Geneva	thund	32
Glasgow	cloudy	18
Hamburg	fair	23
Helsinki	thund	22
Hong Kong	shower	31
Honolulu	fair	31
Isle of Man	rain	16
Istanbul	windy	30
Jersey	fair	20
Karachi	fair	33
Kuwait	sun	47
La Paz	sun	19
Las Palmas	fair	25
Lisbon	fair	31
London	fair	20
Los Angeles	fair	26
Luxembourg	fair	26
Lyon	thund	34
Madeira	fair	25
Madrid	sun	38
Majorca	sun	37
Malta	sun	34
Manchester	rain	19
Manila	cloudy	32
Melbourne	shower	13
Mexico City	shower	21
Miami	fair	33
Milan	sun	34
Montreal	cloudy	26
Moscow	fair	22
Munich	thund	30
Nairobi	thund	23
Naples	sun	34
Nassau	fair	33
New York	cloudy	31
Nice	fair	28
Nicosia	fair	38
Oslo	shower	20
Paris	sun	28
Perth	fair	14
Prague	thund	30
R' de Janeiro	shower	24
Rangoon	rain	30
Reykjavik	rain	13
Riyadh	sun	40
Rome	sun	32
S' Francisco	fair	24
Seoul	shower	25
Singapore	fair	32
Stockholm	fair	21
Strasbourg	fair	31
Sydney	fair	17
Tel Aviv	fair	34
Tokyo	thund	23
Toronto	shower	24
Tunis	sun	36
Vancouver	sun	26
Venice	sun	31
Vienna	thund	32
Warsaw	thund	30
Washington	cloudy	32
Wellington	shower	6
Winnipeg	fair	22
Zurich	fair	31

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday August 4 1993

INSIDE

Canadian Pacific hit by write-down

Canadian Pacific, the transport, resource and property group, yesterday reported a disappointing second-quarter profit of three cents a share, after a five cents a share write-down for Laidlaw, the waste managment affiliate. However, CP remained firmly in the black for the first half. Page 14

Calling planet earth

The world's biggest private sector aerospace project – called Iridium – has secured the first stage in financing for its $3.4bn satellite-based global mobile telephone network. Iridium will launch 66 telecommunications satellites and Motorola, the project's originator, will make mobile telephones for the network. Page 14

VW may not break even

Volkswagen's group chairman, Ferdinand Piëch, has moderated recent claims that the car group would break even or possibly show a profit this year after heavy losses in the first half. Volkswagen will not reach its break-even target if turnover falls by more than 5 per cent, Mr Piëch said yesterday. Page 15

UK power group's bond foray

National Power, the UK's largest electricity generator, has embarked on a programme of international expansion as its domination of the UK market dwindles. Yesterday it made its first foray into the sterling convertible bond market with a £250m offering. Page 15

Quarry group restates its losses

A review of accounting policies at Stamin Group, the UK quarry products company, has revealed that full-year losses were understated by millions of pounds. The review, carried out by accountants Ernst & Young, was announced in July when the two Abdulish brothers, who had controlled the company since 1989, resigned as executives. Page 17

Yorkshire Chemicals [illegible]

Yorkshire Chemicals of the UK tried to stop a falling share price [illegible] yesterday after fears about the extent of its downturn in Europe. The company dampened speculation by indicating that it was expecting at least a 20 per cent increase in profits this year. Page 19

Room for Indian steel expansion

The Indian steel market offers "excellent long-term growth potential", according to a report by Lehman Brothers in London. There is a wide spectrum of investment opportunities, with two dozen publicly-listed steel companies. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Colonia Konzern	1335	+	55	AGF	612	+	19
Douglas Hldg	549	+	19	Dollfus Mieg Cie	301	+	9.5
GEHE	394.8	+	14.6	**Falls**			
Horten	203.5	+	12.5	Bouygues	660	-	25
Preussag	414	+	14	Chargeurs	1090	-	56
Falls				Fonc Lyonnaise	655	-	35
Bil & Berger	905	-	10	Thomson C S F	182.2	-	5.8
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Alcoa	73¼	+	1¼	Denny's Japan	3920	+	120
Caterpillar	79½	+	1⅛	Showa Elec Wire	671	+	16
Intel	53⅝	+	⅞	Sumitomo Realty	767	+	18
Intl Paper	64¼	+	⅜	Yomiuri Land	1180	+	50
Falls				**Falls**			
Chiquita Brands	12	-	⅛	Hitachi Sales	816	-	24
UAL	141½	-	1¼	M'Bishi Belting	614	-	19

New York prices at 12:30.

LONDON (Pence)				St Ives	305	+	14
Rises				Sentry Farming	83	+	5
Division	69	+	4	Vibroplant	65	+	6
French Cnncfn	138	+	24	**Falls**			
Holiday Chem	210	+	8	AAF Inds	78	-	7
Kleeneze	226	+	44	Berlon	77	-	3½
Laporte	620	+	14	Midland & Scot	10½	-	1½
NatWest Bank	510	+	13	National Power	380	-	11
Property Tst	47	+	9	Sherwood Comp	145	-	63
Proteus	187	+	10	Yorks Chems	339	-	16
Radius	42	+	6				
Ramco Oil	124	+	10				
Ricardo	135	+	8				

Austrian bank to sell holdings after 77% leap

By Ian Rodger in Vienna

CREDITANSTALT-Bankverein, Austria's second largest bank, has achieved a substantial recovery in profits in the first half and plans to sell off most of its industrial holdings.

In last year's group balance sheet, its investment portfolio was valued at Sch24.3bn ($2.02bn).

Mr Guido Schmidt-Chiari, chairman, said the 77 per cent jump in first-half pre-tax profits to Sch2.3bn was mainly due to good trading results, cost cutting and an exceptionally weak first half of last year. He promised at least a partial restoration of the bank's annual dividend after last year's 80 per cent cut.

The bank, which was the subject of an unfriendly takeover bid last spring, hoped that at least some of the Austrian government's controlling shareholding could soon be placed with institutional investors.

Schmidt-Chiari: restore dividend

Creditanstalt shares have been among the strongest and most active on the Vienna bourse this year.

The chairman said that following the sell-off of industrial holdings, the bank would retain only minority stakes of strategic value.

Mr Peter Szopo, head of equity research at GiroCredit Bank in Vienna, estimated that the unstated surplus value in Creditanstalt's industrial portfolio was about Sch4bn. He suspected that the disposals would take at least five years, with some sales raising concern about foreign participation.

At the end of 1992, Creditanstalt held, among other things, 74.3 per cent of Semperit, the tyremaker; 71.2 per cent of Steyr-Daimler-Puch, the motor group; 72.5 per cent of Treibacher Chemische Werke; 63.8 per cent of Universale-Bau, the construction group; and 59.4 per cent of Wienerberger Baustoffindustrie, the building materials group.

The bank said its net interest and fee income grew only 8 per cent in the first half to Sch5.6bn as the margin on schilling business was by and large unchanged. However, operating expenses grew only 1.1 per cent to Sch4.4bn.

Mr Schmidt-Chiari was confident that the operating result for the year would be considerably higher, thanks to the rise on the stock market and improving interest spreads.

He cautioned that provisions for bad loans, while notably lower than last year's Sch5.65bn, would weigh on performance.

The bank said the dividend for 1993 could be increased from last year's 6 per cent.

NatWest gains as UK recovery relieves bad debt

By John Gapper, Banking Editor

NATIONAL Westminster Bank yesterday disclosed a sharp fall in provisions against bad and doubtful debts in the first half of the year as the recovery in the economy started to relieve bad debt in the south of England.

NatWest's bad debt provisions of £641m were 23 per cent down on the £828m charged in the same period last year, and 36 per cent down on the £995m provision in the second half. New provisions fell by the largest percentage in the south.

The bank's pre-tax profits rose to £421m, against £211m, despite making an exceptional £159m provision against its decision to pull out of retail banking in France and Australia. It expects to recover little of a £135m investment in France.

The most profitable sector was NatWest's corporate banking and securities arm NatWest Markets. It made pre-tax profits of £253m, up from £141m, helped by dealing profits of £246m. These were boosted by currency trading in volatile conditions.

The UK retail branch business returned to a profit of £69m, compared with a £74m loss, as provisions fell from £609m to £442m. But branch banking profit before provisions slipped to £511m, against £535m.

Lord Alexander, chairman, said the recession had dominated results for three years, but the economic background was now "improving, albeit modestly and patchily".

The bank raised its interim dividend by 4.5 per cent to 6.4p after earnings per share went up from 8p to 12p.

Mr Derek Wanless, chief executive, said there had been a lack of demand for all forms of lending except mortgages. Lending in the branch network fell by £2.1bn, although UK mortgages rose by £1.2bn to £10.2bn.

The bank's net interest margin on loans fell from 3.2 to 2.8 per cent because it took on lower margin assets in treasury operations. The fall in base rates narrowed the gap between variable rate lending and retail savings.

Non-interest income rose by 14 per cent to £1.6bn, taking it to 46 per cent of total operating income of £3.45bn, against £3.17bn.

The bank's new life insurance subsidiary NatWest Life contributed £21m to profits, while the mortgage operation National Westminster Home Loans increased pre-tax profits from £20m to £59m.

The bank's ratio of core tier 1 capital to risk-weighted assets stayed at 5.5 per cent, although it rose from 5.2 per cent at the end of 1992 helped by a $250m preference share issue and a £1.4bn fall in risk-weighted assets.

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Michael Skapinker and Ronald van de Krol explain the warm market reception for PolyGram's purchase of Motown

Welcome note heard through the grapevine

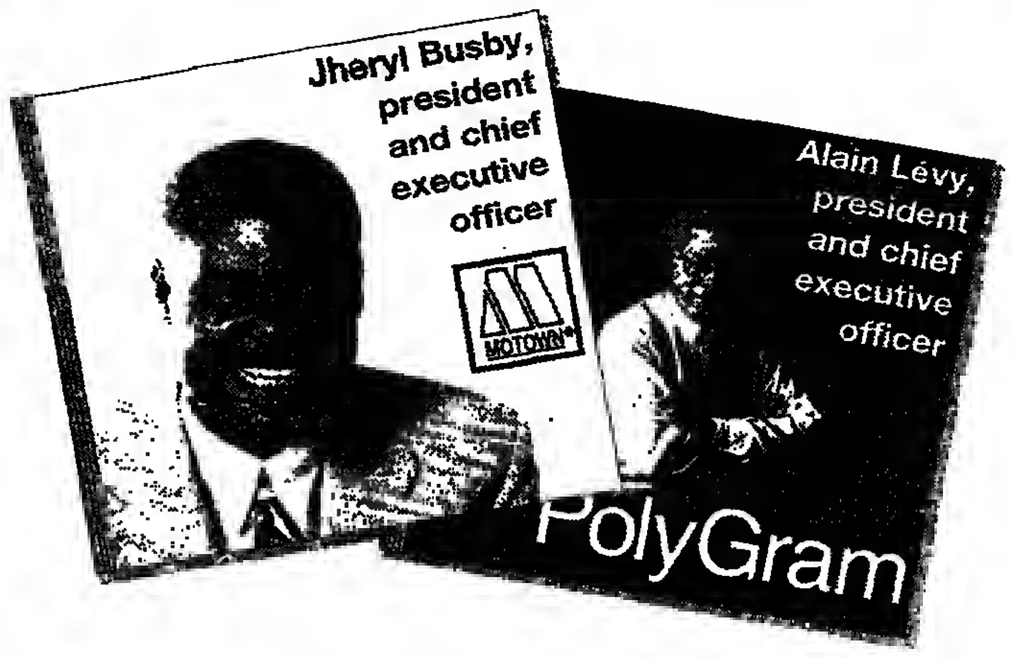
To anyone over 30, PolyGram's artists roster contains some strange and bewildering talents, including Chaka Demus and Pliers, the Gin Blossoms, Boy Krazy and Positive K.

The $301m purchase of Motown, the label which nurtured such names as Stevie Wonder, Diana Ross and the Jackson Five, therefore comes as something of a relief.

The markets thought so too. Following yesterday's announcement of the purchase, PolyGram's shares rose 6.4 per cent on the Amsterdam stock exchange to close at Fl59.50. Philips, the Dutch electronics group which owns nearly 80 per cent of PolyGram, gained 4.8 per cent to Fl32.60.

PolyGram's 19 per cent rise in first-half net profits to Fl204m ($106m) also received a warm welcome. Mr Hendrik Hijink, an analyst at Kempen & Co in Amsterdam, said: "A profit rise of nearly 20 per cent, particularly in difficult economic times, is fantastic."

The Motown acquisition is to be funded by the issue of 10m new PolyGram shares, valued at Fl595m at yesterday's close. The cash-strapped Philips will not take up any of the shares, resulting in its stake falling from 79.4 per cent to 75 per cent.



The Motown purchase is part of a pattern of consolidation in the music industry, which has seen the disappearance of almost all the best-known independent labels into the industry's multinationals. PolyGram bought Island Records in 1989 and A&M Records in 1990. Geffen, a US label, was acquired by MCA in 1990. Thorn EMI, the UK-based group, bought Mr Richard Branson's Virgin Music last year.

PolyGram has expanded furiously through acquisition over the past few years but Mr Alain Lévy, chief executive, does not think there are any substantial music industry purchases still available. Apart from the Island and A&M purchases, the group bought a 30 per cent stake in Mr Andrew Lloyd Webber's Really Useful Holdings in 1991.

PolyGram has also made film industry acquisitions, including Propaganda Films, makers of *In Bed with Madonna*, and Working Title, which made *My Beautiful Laundrette*. Mr Lévy sees no immediate prospect of other film purchases.

Most of the independent record labels accept that the large groups, with worldwide distribution networks, can give their artists better exposure. Mr Berry Gordy, who founded Motown in Detroit in 1959, said yesterday: "The recorded music and entertainment industries – and the world for that matter – are changing rapidly. Motown is ideally positioned to lead the multicultural, multimedia revolution that is under way."

Most of the hopes for a multimedia revolution, in which consumers enjoy their music through a mixture of sound, pictures and screen-based text, still lie in the distant future as there are few signs so far that consumers will be prepared to invest in the necessary gadgetry. A more immediate prospect is that PolyGram will exploit Motown's extensive back catalogue and license its name to merchandise manufacturers.

Mr Lévy says the share issue necessary to fund the deal, will, by reducing Philips' stake, give PolyGram's shares greater liquidity and widen its shareholder base. These perceived advantages could also be seen as arguments for reducing Philips' stake still further, but Mr Lévy said yesterday this would not happen for at least a year.

Philips was also quick to dismiss speculation that it might sell a larger stake in PolyGram, which it brought to the Amsterdam and New York stock exchanges in 1989. Mr Jan Timmer, Philips' chairman, has pointed out that PolyGram is one of its most successful businesses, generating a stream of profits and dividends, and that he has no desire to forgo future profits.

Philips said yesterday a slight dilution of its stake was acceptable because it enabled PolyGram to seize a rare opportunity to buy one of the world's best-known labels. "We very much welcome this deal."

Divestments by Philips over the past three years of its minicomputer, defence electronics and telecommunications cables businesses have involved the sale of loss-making or barely profitable operations. Mr Hijink said: "There is clearly synergy between Philips and PolyGram, unlike the other businesses Philips has sold."

Analysts believe Philips will remain keen to hold on to a large majority stake in PolyGram, a profit earner for contributing to Philips' consumer products division. PolyGram represents the more lucrative "software" side of the consumer electronics industry – compensating for losses in "hardware" products such as compact disc players, televisions and video cassette recorders.

PolyGram is also helping to promote the digital compact cassette (DCC), which Philips invented to replace conventional music tapes and compete with the rival Mini Disc system produced by Sony of Japan.

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Big names lift income 19% in first half

POLYGRAM shrugged off the European recession and raised net income by 19 per cent to Fl 204m ($107m) in the first half of 1993, writes Michael Skapinker.

Profits were lifted by the Sting album, Ten Summoner's Tales, which sold more than 3m copies in the first half. Mr Alain Lévy, chief executive, said an increase in the group's continental European market share had mitigated the effects of the recession. Sales were strong in Asia Pacific but the group suffered a small decline in North American market share.

The recession and strong price competition resulted in a slight fall in classical music sales.

Overall, sales rose 6 per cent to Fl 3.2bn. Income from operations was up 18 per cent to Fl 319m. Net income per share rose 19 per cent to Fl 1.20.

Mr Lévy said the group had a strong release schedule for the second half, with new albums from Elton John, U2, Lionel Richie and Stevie Wonder.

PolyGram will be releasing the cast recording of Mr Andrew Lloyd Webber's London musical Sunset Boulevard. PolyGram has a 30 per cent stake in Mr Lloyd Webber's Really Useful Holdings.

Last May, Gramercy Pictures, the group's film distribution joint venture in North America, released its first movie, Posse. The film, which was produced by PolyGram's Working Title film subsidiary, has grossed more than $18m to date and opens in the UK in the autumn.

POLYGRAM

Net income: (figures in Fl m)		Income by geographic source (%)	1992	1991
1988:	262	Europe :	71	75
1989:	333	US/Canada:	7	2
1990:	357	Asia:	21	19
1991:	446	Other:	1	4
1992:	506			

BT to protest at Alcatel's purchase of undersea cables

By Andrew Adonis in London

BRITISH Telecommunications intends to lodge strong objections to Northern Telecom's sale of STC Submarine Systems to Alcatel, the French telecommunications equipment supplier.

BT believes the sale of STC Submarine Systems will reduce competition in the undersea cable market.

BT is also concerned that the disposal could make it unduly reliant on AT&T, the largest North American operator and equipment supplier.

As an international operator, AT&T is in increasingly fierce competition with BT. AT&T's manufacturing arm is one of only four leading suppliers of long-distance undersea cables: if the sale goes ahead, it will be one of only three.

As yet, the UK's Department of Trade and Industry has only consulted BT informally. It is awaiting a decision from the European Commission's competition directorate on whether the £600m sale falls within EC or UK merger rules.

Either way, BT will oppose the deal on competition grounds. Mr Brian Rigby, BT's procurement director, said: "Because of the developmental work necessary, buying cables means revealing more about forward intentions than we would like to give competitors."

STC estimates that it secured 23 per cent of the $10.2bn long-distance undersea cable market between 1985 and the end of last year. With an estimated 37 per cent, AT&T was the market leader. Alcatel is believed to have taken 19 per cent, and NEC and Fujitsu of Japan 18 per cent between them.

BT is concerned about the impact on prices if AT&T and Alcatel dominate the market. The company always seeks competitive bids for undersea cable contracts, and faces growing price competition for its international traffic.

INTERNATIONAL COMPANIES AND FINANCE

Write-down hurts Canadian Pacific

By Robert Gibbens in Montreal

CANADIAN Pacific, the transport, resource and property group, yesterday reported disappointing second-quarter results, but remained firmly in the black for the first half.

Its second quarter was hurt by its share of a US$120m write-down by Laidlaw, the waste management affiliate, and by slow recovery in the rail, road and sea transport units.

These factors were largely offset by 87 per cent-owned PanCanadian Petroleum, the oil and natural gas producer, which doubled its profit in the first half with gains in output.

Its first-half contribution to CP was C$160m (US$125m), or twice that of the transport units, compared with $98.3m in the first half of 1992.

CP's second-quarter profit was C$12m, or 3 cents a share, after a 5 cents write-down for Laidlaw, while total operating income before interest, taxes and minority interests was C$191m, against C$151.6m. This excludes the Laidlaw right-down.

Net income was C$21m, or 6 cents, a year earlier.

Six months' net profit was C$33.7m, or 10 cents, against a loss of C$18.7m, or 6 cents, on total revenue of C$4bn, down from C$4.8bn, due to de-consolidation of CP's interests in Unitel, the telecommunications group, and United Dominion, a US industrial products group. Excluding this factor, revenues were up C$213m.

Operating income was C$285.2m against C$213m.

● CP Rail's contribution declined because of lower coal and grain shipments in the first quarter. However, grain recovered sharply in the second quarter, as did coal and potash. CP Ships gained from stronger container traffic and better rates and CP Trucks reduced its losses.

● Pan Canadian benefited from two years of heavy investment. It expects higher shipment of oil and gas in the second half, offsetting lower oil prices.

● Fording Coal gained from higher shipments and selling prices and a lower dollar. CP Forest reduced its losses with stronger markets for wood products and newsprint.

● Marathon Realty was sharply lower because of lower land sales and higher vacancy rates in office buildings and shopping centres. CP Hotels improved with better occupancy and room rates.

Cash triggers Iridium countdown

Motorola's satellite project has taken the lead, writes Daniel Green

COMPANIES from three continents this week threw their weight and credibility behind the world's biggest private-sector aerospace project.

They have invested $100m in cash and promised another $700m as the first stage in financing Iridium, a $3.4bn satellite-based global mobile telephone network.

Another five consortia have planned similar schemes since the late 1980s. This, however, is the first time hard cash has replaced mere blueprints.

Motorola, the originator of Iridium, has a clear lead over competitors, including US aerospace companies Loral, TRW and Fairchild; France's Matra, Aérospatiale and Alcatel, Deutsche Aerospace; Matra-Marconi, the Anglo-French joint venture; Italy's Alenia; and Inmarsat, the 69-member international co-operative that operates satellites for mobile communications.

Motorola's success promises to trigger a race between the contenders to establish infrastructures. Not only are there limits to the world's satellite launching capacity, but the size of the market may mean there is room for just two competitors.

Each of the rival projects is breathtaking in scale. Iridium, for example, plans to launch 66 small telecommunications satellites in the two years between 1996 and 1998. The rockets will be launched from the US on the McDonnell Douglas Delta rocket, from Russia on the Proton Rocket, and China on the Long March.

MOTOROLA remains the largest single shareholder in Iridium with a 34 per cent stake, writes Daniel Green.

Other American investors are: BCE Mobile, an offshoot of BCE, Canada's biggest telecommunications group; Mulidiri Investments BVI, a consortium of private investors based in Venezuela; Raytheon, the US aerospace and electronics company; and Sprint, the US telecommunications operator.

In Europe and the Middle East, investors include: The Mawarid Group, a Saudi Arabian investment house; Khrunichev Enterprise, the Russian maker of the Proton rocket; and Stet, the state-controlled holding company for Italy's telecommunications businesses.

The Japanese investor is Nippon Iridium Corporation, a consortium of 18 Japanese companies led by telecommunications operator Daini Denden, and electronics manufacturer Kyocera. The consortium includes Sony, Mitsubishi and Mitsui.

There is also backing from China Great Wall Industry, which makes the Long March satellite launchers; Taiwan's Pacific Electric Wire and Cable, a telecommunications equipment-maker; and Thailand's United Communications Industry.

The network will carry telephone calls, fax messages, paging, facsimile, computer data and radio-determination satellite services (RDSS), which locate telephones by latitude and longitude.

Iridium hopes to attract 1.5m customers – between 1.5 and 2 per cent of the number of cellular telephone users – by the end of the century.

Each customer will have to buy one of two types of telephone. The first will work only with Iridium, and the second will work with both Iridium and the buyer's own local mobile telephone network.

Mr John Mitchell, a vice-chairman of Motorola, said these would sell at about 40 per cent more than ordinary cellular telephone handsets.

Motorola's business plan specifies charges of about $3 a minute. Although this is more expensive than ordinary cellular telephones now, they are cheaper than the $10 a minute charged for satellite calls made from aircraft.

Pricing is a crucial issue. "Our service should be cheaper and with a service quality as good as, or superior, to that proposed by Iridium," said Mr Jai Singh, executive vice-president at London-based Inmarsat, which hopes to have its scheme financed after February 1994.

Although any service Inmarsat established would be similar to Iridium's on paper, customers are likely to notice significant differences because of the way the infrastructures are built.

Motorola has designed a network based on 66 small satellites orbiting not far above the earth's surface. Inmarsat, on the other hand, abandoned the principle of a low-earth orbit (Leo) network just last week in favour of fewer satellites placed in higher orbits.

As a result, Inmarsat's telephones may have to be larger to transmit their messages further. Or it could use tested technologies, which it says need only $1bn to set up.

Motorola is taking a risk by breaking new ground in its design. Moreover, a network of 66 satellites will be inherently more complicated than one with fewer, such as Inmarsat's. Two further obstacles remain for Motorola: money and government approval.

This week's $800m tranche will be followed within two years by another of almost equal size. The remaining 60 per cent of the money needed will come from the debt market, says Goldman Sachs, Motorola's adviser.

Regulatory problems remain less clear. Motorola only has experimental approval from the US Federal Communications Commission, while a European Commission report on Leo satellite networks in December 1992 said it would take at least another five years to answer regulatory and other questions.

Hard heads in the international debt markets are likely to want to see regulatory approval from both sides of the Atlantic before happily handing over almost $2bn.

Bear Stearns posts record year

By Patrick Harverson in New York

BEAR STEARNS, the Wall Street securities house, yesterday announced a 58 per ceot increase in fiscal fourth-quarter profits to $124.8m, or $1.07 a share.

The strong final quarter took the firm's full-year earnings to a record $362.4m, well up oo tbe $294.6m reported for tbe previous 12 mooths. Bear Stearns' reveoues in the fourth quarter, excluding interest expense, were $681.7m, and for the year $2.1bn.

Bear Stearns said its record quarter and year reflected significant increases in revenues in most of its main business lines, echoing the performance of other Wall Street firms. It also reaped record profits in tbe wake of strong investor demand for equities and a booming stock and bond underwriting business.

Reveoues from principal transactions – the trading of securities for the firm's own account – rocketed to $362m in the quarter, from $248m a year ago. The large increase was primarily derived from high levels of activity in the trading of fixed-income instruments.

Investment banking, Bear Stearns' second-largest revenue-earner behind interest and dividend income, brought in $138m between April and June, well ahead of the $90m a year ago. Commission revenues, meanwhile, advanced 31 per cent to $118m, due partly to a strong performance from the firm's correspondent clearing and private client services divisions.

Total non-interest expenses were also up sharply, rising 38 per cent to $470m, an increase that was in line with the growth in business activity.

News of the record quarter and year failed to lift the share price, which edged $¼ lower to $24¼ before the close in New York. The stock had opened close to its all-time high, and the modest decline was attributable to profit-taking, rether than disappointment in the firm's earnings.

US insurer falls sharply to $88m

By Richard Waters

CIGNA, one of the US's largest insurers, reported a sharp reduction in earnings in the second quarter, caused by losses in its general commercial insurance business and reduced investment gains.

Post-tax profits were $88m, or $1.22 a share, down from $130m, or $1.81, a year ago. First-half net income fell to $134m, from $237m, before the effect of accounting changes.

The general commercial business, which covers property/casualty risks for medium-sized US companies, suffered from poor underwriting and pressure on premium rates, the company said. It added that the senior management of this part of its business had been replaced earlier this year and it had reduced its involvement in the area.

As a result, Cigna's property/casualty division reported losses of $79m (before after-tax investment gains of $34m), compared with a loss of $55m (before gains of $41m) the year before.

The escalating losses came in spite of a marked fall in catastrophe losses, which were $15m pre-tax, compared with $55m.

Net income from the employee life and health benefits area on the other hand climbed to $104m (before after-tax investment gains of $7m) from $67m (before gains of $30m).

Net income from employee retirement and savings benefits fell by $2m to $96m, due to an $8m investment loss.

Keppel lifts pre-tax profits 11% midway

By Kieran Cooke in Kuala Lumpur

KEPPEL, tbe diversified conglomerate controlled by tbe Singapore government, lifted pre-tax profits to S$145.6m (US$91m) for the six mooths to June 30 1993. The result was an an 11 per cent rise compared with tbe year-ago figure.

Turnover was down 2.4 per cent to S$728.7m from S$746.6m.

Keppel's core shipbuilding and repair business in Singapore suffered from a geoerally weak global market. Improved revenues bave come from non-shipping activities and tbe group's rapidly-expanding overseas interests.

Offshore ship and rig building activities improved.

Falling prices deepen Kaiser Aluminum loss

By Richard Waters in New York

FALLING aluminium prices and lower output drove Kaiser Aluminum deeper into the red in the second quarter. Net loss per sbare on ordinary operations rose to 34 cents from 29 cents in the first three months.

"The continued weakness of market prices for most all aluminium products", was partly to blame for a fall in turnover, to $432.2m from $490.9m a year ago, Mr Stepbens Hutcbcraft, chairman, said . Turnover for tbe first half was down to $874.8m from $954.6m.

The company suffered a net loss of $19.4m, compared with a deficit (before an extraordinary cbarge and accounting changes) of $16.6m in the first three months. Year-ago net income totalled $12m, or 21 cents. The net loss of $36m in the first half compared with a net profit of $20.4m.

Aluminium prices averaged 51 cents a pound in the second quarter, 8 cents lower than in the same period in 1992.

The company has not brought back to full capacity two plants in the north-west, partly as a result of lower prices.

The timing of shipments also reduced the volumes of aluminium and other products sent to customers during the quarter. Shipments of primary and fabricated aluminium products were 149,100 tonnes during the period, down from 177,200 a year ago.

Growth in assets bolsters result at Stanbic

By Philip Gawith in Johannesburg

A SHARP increase in the asset base and a lower tax rate belped Standard Bank Investment Corporation (Stanbic), South Africa's leading banking group, to increase earnings per share 37 per cent, to 335 from 245 cents, in the six months to June.

The group, bowever, stressed that this rate of growtb did not accurately reflect tbe underlying operating environment. It would not continue in the second half. A "satisfactory improvement" in earnings, however, was anticipated for tbe full year.

Mr Eddie Theron, managing director, said the 23 per cent increase in the asset base, to R65.2bo ($19.4bn) from R53bn, had belped boost the results. South African assets increased by 16 per cent to R61.2bn (R52.5bn), coming almost entirely from growth in home loans.

UK assets – Standard has established a branch in Londoo – rose to R1.97bn from R551m, and other African assets increased to R1.4bn from nothing following the acquisition last year of ANZ Grindlays African operations. Rights issue proceeds of R650m boosted assets further.

The reduction in the corporate tax rate, to 40 per cent from 48 per cent, added 27 cents per share to earnings. Mr Theron said the earnings figures also flattered because they came off a comparatively low base in 1992.

Although net interest income rose 23.6 per cent, to R1.46bn from R1.18bn, Mr Theron noted this was insufficient to compensate for the 27.3 per cent increase in bad debt provisions to R220.2m, from R173m last time.

On an annualised basis, this represents 0.68 per cent of total assets, up from 0.33 per cent in 1988.

Other operating income rose to R845.4m from R702.9m. Attributabte income rose 57 per cent to R398m from R253.1m. The dividend was increased to 62 cents from 53 cents per share.

INTERNATIONAL COMPANIES AND FINANCE

Ilva expects to cut losses ahead of partial sell-off

By Haig Simonian in Milan

ILVA, the Italian state-owned steelmaker, expects to cut losses to about L2,000bn ($1.3bn) this year from L2,309bn in 1992.

Consolidated debts at the company, due to be split and partly privatised, amounted to about L7,500bn at the end of June, against L7,589bn at the end of 1992, according to Mr Piero Barucci, Italy's treasury minister.

Addressing a parliamentary committee, Mr Paolo Savona, the industry minister, said plans for the partial privatisation of Ilva, Europe's fourth-biggest steelmaker, could be ready by mid-September.

The group, controlled by the IRI state holding company, has until recently been locked in a row with the European Commission, which had blocked a previous restructuring plan.

Last month, the Italian government and the commission reached a compromise. The commission extended its deadline for a new re-organisation plan in return for Italian commitments on swift privatisation and not writing off outstanding debts.

The latest scheme to split Ilva into two companies specialising in flat products and stainless steels respectively, is still at a relatively early stage.

IRI has given a mandate to Barclays, the UK banking group, to advise on selling the stainless steels (Terni) and pipes (Dalmine) subsidiaries.

Meanwhile, discussions have taken place with a number of leading private-sector steel makers on investing in the big Taranato and Novi Ligure works, which form the heart of the flat products company.

Yesterday, Dalmine, which is already quoted, announced that group pre-tax profits for the first six months of 1993 fell sharply. Sales rose to L613bn from L611bn.

Bavarian bank lifted by bad loan provisions

By Andrew Fisher in Frankfurt

BAYERISCHE Vereinsbank, the Munich-based financial group which has been expanding in northern and eastern Germany, yesterday announced a 22 per cent rise in total operating profits to DM528m ($310m) in the first half of 1993.

This was after risk provisions on bad loans amounting to DM436m, a rise of 5 per cent. The bank, which controls Vereins-und Westbank in Hamburg, said the increase reflected the increase in domestic credit risks as a result of Germany's recession.

The company, which is Europe's second-biggest producer of seamless pipes, claimed the result was highly creditable in view of the crisis in the industry. World demand for seamless pipes dropped 10 per cent in the first half, while demand in Europe and Italy fell 25 per cent and 30 per cent respectively.

The latest accounting period is the first for which German banks have produced full details of their risk provisions. This comes ahead of an EC directive requiring such information for the 1993 financial year.

Bayerische Vereinsbank, one of Germany's five leading commercial banks, said that partial operating profits – these exclude trading on the bank's own account – were 6 per cent higher at DM792m.

Net interest and commission income both increased, but administrative costs were 10 per cent higher as a result of continued growth in east Germany, where Vereinsbank has 74 branches.

All figures are compared with half of the full 1992 result rather than with the actual January-June period. This is because the bank has only adjusted last year's total profits, and not the interim results, in line with the new accounting procedures.

The bank said group profits from trading on its own account more than doubled to DM150m. Operating profits of the parent bank were 15 per cent higher at DM334m after a 4 per cent rise in risk provisions to DM275m.

Credit volume at the parent expanded by 5 per cent over the level at the start of the year to DM124bo.

At group level, credit volume was 4 per cent higher at DM216bn.

Piëch qualifies VW profits target

By Christopher Parkes in Frankfurt

VOLKSWAGEN will not reach its break-even target for this year if turnover falls by more than 5 per cent, according to Mr Ferdinand Piëch, group chairman.

Mr Piëch seemed to moderate his claims that VW would break even or possibly show a profit this year even after heavy losses in the first half in an interview published yesterday.

He said the group's earnings expectations were based on a fall in worldwide deliveries of 10 per cent to 12 per cent and a 15 per cent drop in Germany. He reckoned on a 5 per cent fall in group turnover to about DM81bn ($47.6bn) including a 10 per cent decline at the German parent to about DM48bn.

"It is clear that our earnings forecast cannot be attained if the drop in sales is larger," he added. Mr Piëch, talking with officials of the Egon Zehnder consulting group, repeated that cost savings of DM8.7bo were mostly implemented. They would help the group attain the net return on sales of more than 3 per cent estimated as necessary for a break-even result for 1993.

He expected return on sales to reach 5 per cent to 7 per cent in five years. Rapid progress was necessary because voluntary Japanese quotas would only help for two more years. If the European car industry could not match their performance within that time "we would have lost anyway", he said.

VW intended to attack the Japanese in the same way as the Swiss watch industry had: value-for-money Swatch at the bottom end of the market and good design at the top end. "The Japanese can be beaten, and we at Volkswagen have the tools to do it," he said.

Within six years at the latest, he added, all group factories had to be able to break even working at 70 per cent of capacity. The current ratio was between 85 per cent and 90 per cent, he claimed, after 100 per cent and more last year.

Audi, the group's quality car division, would reach 68 per cent by the end of this year.

Ferdinand Piëch: VW has the tools to beat the Japanese

Roussel-Uclaf rises 38.5% to FFr470m

By John Ridding in Paris

ROUSSEL-UCLAF, one of France's largest chemicals companies, yesterday announced a strong increase in net profits for the first half of the year and forecast full-year net profits would be between 15 per cent and 20 per cent higher than the 1992 result.

The company, which is 54 per cent owned by Hoechst, the German chemicals group, reported net profits of FFr470m ($81m) for the first six months of the year.

This represents an increase of 38.5 per cent on the comparable period in 1992 after subtracting exceptional gains from the sale of stakes in Jouveinal and Laboratories Takeda France.

Roussel-Uclaf said that the strong first-half performance reflected the impact of cost-cutting measures arising from its restructuring programme. The programme, which is scheduled to be completed in 1995, involves the closure of eight factories in Europe.

The group said that productivity had been increased and that average debt during the first six months of this year was about FFr1bn less than in the first half of 1992.

The increase in sales largely reflected a strong performance in its human healthcare business, which raised turnover by about 8 per cent.

However, its agricultural chemicals business only increased sales by 1.2 per cent in the face of depressed demand, the company said.

The slower growth in net profits expected for the full year, compared with the first six months, reflects a strong performance in the second half of 1992.

Donohue returns to black

By Robert Gibbens in Montreal

DONOHUE, a large eastern Canada newsprint producer controlled by the Quebecor publishing and printing group, returned to profitability in the first half with earnings of C$8.3m ($6.4m), or 23 cents a share, against a loss of $11.3m, or 36 cents, a year earlier. Sales were up 13 per cent to $286m.

Second-quarter net profit was $2m, or 5 cents a share, against a loss of $3m, or 10 cents.

Newsprint and timber products shipments were higher with firm prices but pulp markets declined further. Lower interest rates and a lower Canadian dollar helped – most of Donohue's production goes to the US.

● Canfor, a western Canada forest products group, earned C$17.6m, or 60 cents a share, in the second quarter, against a loss of $9.1m, or 34 cents. Revenues were up 10 per cent to $301m. First-half profit equalled $1.17 a share, against a loss of 78 cents.

● Tembec, an eastern Canada special pulp and cartonboard producer, had a C$6.7m third-quarter loss, against a loss of $4.3m. The loss for nine months was $34m, against a loss of $22.7m, on sales of $277m, against $223m.

National Power in bond offering

By Tracy Corrigan in London

NATIONAL Power, the UK's largest electricity generator, yesterday made its first foray into the sterling convertible bond market with a £250m offering.

The deal is only the company's second offering in the international capital markets since its privatisation in 1991. The launch takes advantage of strong demand for sterling paper from continental European investors, fuelled by positive sentiment on sterling and by expectations that interest rates are set to fall.

Lead-manager Credit Suisse First Boston estimated that 40 per cent of the paper was placed in the UK and 60 per cent in continental Europe.

Two recent convertible offerings by Coats Viyella and Warburg are now trading at a premium to their issue price of 3¼ and 6¾ points respectively.

National Power has embarked on a programme of international expansion as its domination of the UK market dwindles. Last month it bought Dallas-based Transco Energy Ventures, its biggest overseas deal to date.

Mr Brian Birkenhead, group finance director, said the company planned to spend "about £1bn on equity stakes in overseas power projects this decade". The company also hopes to have an opportunity to buy back some of the £350m of its debt still held by the government.

The 15-year bonds carry a coupon of 6¾ per cent and can be converted into ordinary shares at £4.33, a premium of 19 per cent to the market level of £3.64 at the time of pricing yesterday.

The bonds were quoted at 100¼, a ¼ point premium to their par issue price.

Esselte posts 30% drop to SKr138m at midterm

By Christopher Brown-Humes in Stockholm

ESSELTE, the Swedish office products group, saw profits after financial items fall to SKr138m ($17.5m) in the first six months of the year from SKr198m in the same 1992 period.

It blamed the 30 per cent fall on weaker demand in its main European markets and said it was not reaping the full benefits of the rationalisation programme which it had implemented in the US.

However, the company said the recent turbulence in the foreign exchange markets, following the virtual collapse of the European exchange rate mechanism, could turn out to be beneficial for the group.

It manufactures 80 per cent of its office equipment for the European market in Denmark, France and Belgium, whose currencies are expected to weaken in the new ERM parameters. "Our products should be more competitive and we hope that demand will pick up in a lower interest rate environment," the company said.

The group is sticking by an earlier forecast that profits for the full year will exceed last year's SKr259m.

Sales in the first half climbed to SKr5.70bn from SKr5.00bn thanks to the devaluation of the Swedish krona.

Wallenbergs sell Stora holding for SKr600m

By Hugh Carnegy in Stockholm

INVESTOR, the main holding company of Sweden's powerful Wallenberg family, said yesterday it had sold a 2 per cent stake in Stora, Europe's largest forestry products company, raising more than SKr600m ($85.7m) in a move it described as part of a programme to reduce group debt.

The sale over the past two months of 1.88m Stora A shares followed the disposal for SKr2.94bn in late June of Investor's 7.4 per cent stake in Asea, the joint owner of the Swiss-Swedish Asea Brown Boveri engineering group. Investor raised a further £23m ($34.3m) when it sold its 7.5 per cent stake in Christies International, the UK auction house, last month.

The amounts raised are in line with the scale of debt reduction Investor signalled earlier this year when it said it intended to bring down group net borrowings to SKr5bn-SKr6bn. The investment group, which has majority or leading stakes in many of Sweden's top companies, slipped to a SKr542m loss in the first quarter. Group net debt stood at SKr9.86bn at March 31.

The Wallenbergs have avoided any significant erosion of their control in Swedish industry in spite of the trading difficulties.

INTERNATIONAL CAPITAL MARKETS

Spain surges as German repo rate cut boosts Europe

By Sara Webb in London and Patrick Harverson in New York

THE BUNDESBANK'S unexpected decision to cut its repo rate early yesterday provided a welcome boost for European government bond markets. It added to the general optimism that interest rates will fall across the continent now the straightjacket of the European exchange rate mechanism has been loosened.

The high-yielding Mediterranean markets showed the strongest gains, with Spanish bonds charging ahead on the back of a half-point cut in Spanish interest rates.

GOVERNMENT BONDS

The Bank of Spain cut its benchmark interest rate from 11 per cent to 10.5 per cent at its regular seven-to-12-day repurchase tender in the morning. Despite the cut, the peseta strengthened against the D-Mark, moving from 83.15 pesetas to the mark to 81.16 pesetas by mid-afternoon.

Spanish 10-year yield spreads over Germany have narrowed from around 370 basis points before the EC weekend agreement to switch to wider fluctuation bands, to a low of 323 basis points yesterday.

■ GERMAN government bonds gained nearly half a point yesterday, prompted by the Bundesbank's decision to slice 15 basis points off its repo rate. The move leaves the repo rate at 6.80 per cent, only 5 basis points above the discount rate of 6.75 per cent.

Some market participants had expected the Bundesbank to leave key interest rates unchanged after last week's cut in the Lombard rate – at least until council members return from holiday on August 26. Dealers saw some switching out of 10-year French government bonds into higher-yielding 10-year bunds given that French yields were trading 10 to 12 basis points through their German equivalents.

The terms were set on a new 10-year bund issue yesterday. Dealers said the coupon of 6.5 per cent was in line with expectations. The issue price was 100.90 giving an issue yield of 6.38 per cent. The new issue is expected to raise about DM10bn in total.

■ THE Banque de France held its interest rates unchanged again, confounding those in the market who were hoping to see some signs of easing now the franc has more freedom to move within the "new-look" exchange rate mechanism.

The central bank's failure to cut rates led to a fall in prices at the short end of the curve, but long-dated issues continued to rally with the yield on the 6¾ per cent French OAT 2003 falling from 6.41 per cent to 6.38 per cent.

"French bonds rallied on the back of the German repo cut although this was followed by profit-taking as there is some concern about the pace at which the French central bank will ease," said Mr Phillip Tyson, European economist at Yamaichi International.

■ INTEREST rate euphoria over much of Europe helped to lift the UK government bond market, even though sterling cut free of the European ERM last September.

The index-linked sector benefitted from strong demand, gaining nearly half a point, and long-dated conventional gilts jumped ⅜ of a point on the day.

The Bank of England said two of its recently announced tap stocks were sold out yesterday – a £500m tranche of 7¼ per cent stock due 1998 and a £300m tranche of index-linked stock due 2030.

■ US TREASURY prices rose sharply at the long end of the yield curve yesterday morning on hopes that a final agreement on President Bill Clinton's budget will soon be reached.

By midday, the benchmark 30-year government bond was up ½ at 107 21/32, yielding 6.516 per cent. At the short end, the two-year note was up 1/32 at 100 1/32, to yield 4.134 per cent.

US government securities, already stronger on overseas markets, opened firmer across the board, sending the yield on the benchmark 30-year bond close to its all-time low. The bulk of the increase was attributable to rising hopes among investors and dealers that Mr Clinton's deficit-reduction budget package would be approved by Congress before the week was out. The bond market sees the president's budget as the first serious attempt by a US administration to tackle the country's huge federal budget deficit.

Sentiment was also aided yesterday by the unexpectedly weak 0.1 per cent increase in the June index of leading economic indicators. The data suggested that the economy, while not necessarily contracting, is certainly not growing especially rapidly.

FT FIXED INTEREST INDICES

	Aug 3	Aug 2	July 30	July 29	July 28	Year ago	High *	Low *
Govt Secs (UK)	98.58	98.23	99.17	98.37	98.47	86.26	98.58	93.28
Fixed Interest	119.68	118.19	118.72	118.13	117.61	105.13	119.68	108.67

Basis 100: Government Securities 15/10/26; Fixed interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 119.68 (3/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 2	July 30	July 29	July 28	July 27
Gilt Edged Bargains	123.9	137.7	119.1	149.7	122.4
5-Day average	130.0	125.8	118.2	112.4	104.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	05/03	118.5351	-0.485	6.91	7.13	7.30
BELGIUM		9.000	03/03	113.2700	+0.070	7.05	7.12	7.05
CANADA *		7.500	12/03	102.8500	+0.145	7.10	7.30	7.26
DENMARK		8.000	05/03	108.2000	-0.725	6.82	7.15	6.88
FRANCE	BTAN	8.000	05/98	108.2800	-0.046	5.70	6.04	6.25
	OAT	8.500	04/03	114.6250	+0.255	6.43	6.79	6.84
GERMANY		6.750	04/03	102.9900	+0.440	6.45	6.53	6.71
ITALY		11.500	03/03	107.8400	+1.740	10.49†	11.06	11.13
JAPAN	No 119	4.800	06/99	104.7824	+0.023	3.81	3.95	4.14
	No 145	5.500	03/02	108.6783	+0.101	4.15	4.20	4.30
NETHERLANDS		7.000	02/03	105.3400	+0.590	6.23	6.38	6.54
SPAIN		10.300	06/02	103.4379	+0.881	9.69	10.28	10.17
UK GILTS		7.250	03/98	103-08	+10/32	6.44	6.76	6.75
		8.000	06/03	105-12	+22/32	7.22	7.53	7.58
		9.000	10/08	111-26	+26/32	7.66	7.89	7.89
US TREASURY *		6.250	02/03	103-08	+8/32	5.80	5.91	5.74
		7.125	02/23	108-02	+29/32	6.51	6.69	6.66
ECU (French Govt)		8.000	04/03	105.1800	+0.430	7.23	7.26	7.18

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Mexico will take to the road with toll-backed notes

By Damian Fraser in Mexico City

THE MEXICAN government is set to issue its first bonds backed by the revenues of a state-owned toll road. If next month's offering is well received, the government plans to securitise more of the $10bn worth of private toll road concessions owned by national banks and construction companies.

The government is preparing to offer around $600m of dollar-denominated bonds backed by the peso revenues from the state-owned toll road linking Mexico City to Cuernavaca, a senior official said.

The debt is likely to be placed in the US with qualified institutions under the Securities and Exchange Commission's rule 144a, and to be sold publicly in the rest of the world.

The Cuernavaca toll road was opened in the 1950s and traffic flow is stable. The $800m is estimated to be less than the full value of the road, giving bondholders added security if revenues are less than expected.

The government is apparently not planning to offer any credit or exchange rate guarantees for the Cuernavaca bonds, but intends to issue different classes of debt, enabling investors to choose their level of risk. Lehman Brothers and Banamex are expected to manage the offering.

The Cuernavaca bonds will probably be followed by Grupo ICA's securitisation of completed parts of the $540m Guadalajara-Tepic toll road. In this case, the government is exploring ways of helping ICA reduce exchange rate risk, perhaps by giving the issuer the right to borrow dollars from the state development bank in the event of a peso devaluation, one government official said.

Mexico's privately-financed toll road programme is believed to be the largest in the world, with some 2,700km of roads completed, and 1,900km under construction.

However, many roads have run into trouble because traffic has fallen below forecasts and costs have rocketed. Mexico's banks, which financed most of the construction, are thought to have been left with hundreds of millions of dollars of under-performing debt.

The government was forced to postpone a planned offering of highway-backed bonds last year due to the fall in the Mexican stock market and rise in interest rates.

If the government successfully sells bonds on the Cuernavaca road, it plans to offer more backed by revenues from its other toll roads, Mexico City to Puebla and Mexico City to Queretero.

Tribasa, another construction company, also intends to securitise some of its Mexico City toll roads in the autumn, after its planned initial public offering on the New York Stock Exchange in September.

ICA, GMD, another construction company, and Tribasa also plan to securitise the first part of the $1bn Mexico City-Guadalajara road.

The only previous toll road bond offering, sold last year and backed by Tribasa's completed Toluca highway, did not attract much initial interest, although Lehman Bros says the entire $312m of bonds have now been placed.

Officials say traffic on a few roads, generally those far from large cities, is so low that equity and debt holders will have to inject more capital.

The existing commitments to under-performing toll roads have made Mexico's banks, except Banamex, unwilling to finance new projects.

The government has said it will pay for the $600m Tehuacan-Oaxaca road, and another toll road in Chiapas out of proceeds from privatisation not accounted for in this year's budget. It hopes Banamex will finance the Tuxpan-Pachuca toll road.

IADB in $500m offer after tough mandate bidding

By Tracy Corrigan

THE Inter-American Development Bank yesterday launched a $500m offering of 10-year bonds after a round of competitive bidding for the mandate which some dealers felt had led to the issue being priced rather aggressively.

The 10-year bonds were priced to yield 20 basis points over the 10-year US Treasury yield, but by the end of trading the bonds were bid at 23 basis points over the curve. However, dealers said a substantial portion of the issue had been sold at a spread of 20 basis points.

Three other underwriters had also submitted bids to the IADB at a spread of 20 basis points, and a fourth had bid even more aggressively at 19 basis points.

Lead-manager Merrill Lynch said the issue had prompted some switching out of outstanding issues by Sweden and LKB Baden-Württemburg.

Also in the dollar market, Ford Motor Credit launched a $300m issue of floating rate notes due 1998, which dealers said was too tightly priced. The notes pay interest at 30 basis points over the London Interbank offered rate

INTERNATIONAL BONDS

(Libor), which represents an all-in cost to the borrower of about 35 basis points over Libor.

Lead-manager Morgan Stanley said there was strong demand for floating-rate dollar debt as some investors want to be protected against potential rises in interest rates. It added that Ford was a much improved credit.

However, while other dealers agreed there was considerable interest in floating-rate notes, the pricing of 30 basis points over Libor was 5 to 10 basis points too aggressive, according to some dealers.

They pointed out that if Ford were to borrow in the fixed rate market and swap the proceeds into floating-rate funding, the company would not be able to achieve a similar cost of funds.

However, Morgan Stanley reported strong demand from European money market funds. Banks, which are traditional buyers of floating-rate notes, do not tend to buy corporate paper because under Basle capital rules corporate debt carries a 100 per cent risk weighting.

In the Japanese equity-linked sector, Trans Cosmos launched a small $100 four-year issue of bonds with warrants, which surprised the market with the strength of its performance. By the end of the day, the bonds with warrants were bid at 105, a five-point premium to their par issue price.

Lead-manager Nikko Europe said there had been particularly strong demand because the company had not previously issued equity warrants.

Further, Trans Cosmos, a computer software company, is only listed on the second section of the Japanese stock market, which is notoriously illiquid. Consequently, some investors interested in the stock may have avoided buying it in the cash market, but jumped at the chance to buy the warrants.

Nikko reported some demand from US offshore fund managers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Inter-American Dev'ment Bank	500	5	99.22R	Aug.2003	0.325R	+20 (6¼%-03)	Merrill Lynch Intl.
Ford Motor Credit Co.(a)‡	300	(a)	99.77R	Aug.1998	0.3R	-	Morgan Stanley Intl.
Banpais, Cayman Islands	100	8.25#	99.91R	Aug.1995	0.875R	+415(4¼%-95)	ING/ VestcorPartners
Trans Cosmos(b)Φ	100	1.5	100	Aug.1997	2.25	-	Nikko Europe
D-MARKS							
Royal Dutch Fokker	150	6.5	101.5	Aug.1996	1.5	-	Dresdner Bank
STERLING							
National Power(c)§	250	6.25#	100	Sep.2008	2.5	-	CSFB
YEN							
Nichirei Corp.	10bn	5	100.1R	Nov.2000	0.35R	-	Fuji Intl. Finance
DANISH KRONER							
Finance for Danish Industry	350	6.75	101.875	Aug.1998	1.875	-	Morgan Stanley Intl.
SWISS FRANCS							
Sakurada Co.(b)*Φ	40	1	100	Aug.1997	-	-	Yamaichi Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.25%. b) Fixing: 10/8/93. c) Conversion price: £4.33. Callable from 21/10/98 at par or earlier if 85% of the bonds are converted.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:56 pm on August 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9¼ 94	200	104⅝	105⅛	-⅛	4.27
AlbertaProvince 9⅜ 95	600	109⅝	110		4.71
Austria 8½ 00	400	114	114½		5.83
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9¼ 99 LFr	1000	109½	110½	+1⅛	7.03
World Bank 5 96 LFr	1000	103½	104½	+1¼	6.53
[illegible]					
Elec de France 5⅝ 96	20000	105⅝	106¼	+⅛	3.73
Finland 8¼ 96	50000	107	107¼		3.90
Inter Amer Dev 7¼ 00	30000	115¼	115½	+⅛	4.58
Japan Dev Bk 5 99	100000	103¾	104	+⅛	4.29
Japan Dev Bk 6½ 01	120000	112¼	112½	+⅛	4.64
Nippon Tel Tel 5⅞ 96	50000	106⅞	107¼	+⅛	3.52
Norway 5⅛ 95	50000	102⅝	102⅞		3.48
SNCF 6¾ 00	30000	112	112¼	+⅛	4.59
Sweden 5⅝ 96	20000	104	104½		3.65
World Bank 6¾ 00	50000	112⅞	113⅛	+⅛	4.54

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS: [illegible]

FLOATING RATE NOTES (Issued, Bid, Offer, C.cpn): [illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					
Ogden 6 00	95	39.077	95⅛	96½	+40.94
Smith Nephew 4 02 £	90	1.775	132¾	133⅝	+58.14
Sumitomo Bank 3⅛ 04	300	3608.9	97½	99⅝	+20.63
Sun Alliance 7¼ 00 £	156	3.9	112⅞	113⅞	+12.01
Tesco Capital 9 00 £	200	2.51	116⅔	117⅜	+36.82
Texas Instruments 2¾ 00	300	82⅞	103¾	104⅛	+19.47
Thorn EMI 5¾ 04 £	103	7.16	134⅛	135¼	-0.07

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	63	7	10
Other Fixed Interest	13	2	0
Commercial, Industrial	325	208	884
Financial & Property	228	88	491
Oil & Gas	15	25	42
Plantations	3	0	5
Mines	20	60	54
Others	26	51	60
Totals	693	440	1,546

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
†150	F.P.	-	181	150	British Telecom (F/Paid)	180	+6½	N15.0	1.4	4.4	20.8
[illegible]											

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
60	Nil	6/8	3pm	¼pm	Alexon	¼pm	
5	Nil	25/8	¼pm	¼pm	Alliance Res.	¼pm	
40	Nil	13/9	6pm	3½pm	Bardon	4pm	
135	Nil	3/9	26pm	14pm	Birkby	26pm	+6
10	Nil	20/8	4¼pm	2½pm	Britton	4¼pm	
300	Nil	6/9	100pm	60pm	Clyde Blowers	98pm	
127	Nil	13/9	20pm	20pm	Headlam	20pm	
19	Nil	8/9	3pm	1¾pm	Marling	2¼pm	
5	Nil	9/8	1½pm	¼pm	Premier Land	¼pm	
130	Nil	18/8	35pm	23pm	Rubicon	33pm	
275	Nil	17/8	26pm	19pm	Sidlaw	19pm	-1
210	Nil	1/9	53pm	41pm	Smith New Court	52pm	+8

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings July 26
- Last Dealings Aug. 6
- Last Declarations Oct. 28
- For settlement Nov. 6

3-month call rate indications are shown in Saturday editions.

Calls: Arlen, Burton, Costain, Division, Ferranti, Higgs & Hill, LIT Prf., McCarthy Stone, Medeva, Premier Land, QS Hldgs., Ratners, Shandwick and Tarmac. Put: Medeva. Puts & Calls: ASDA, BT P/Pd., LIT Prf., Next and Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons (*576)	550	46½	56	64½	18½	20½	25
	600	20½	29½	39	35	46	50
[illegible]							

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Aug 3	Day's change %	Mon Aug 2	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	[illegible]				
2	5-15 years (23)	[illegible]				
3	Over 15 years (9)	[illegible]				
4	Irredeemables (6)	[illegible]				
5	All stocks (63)	[illegible]				
	Index-Linked					
6	Up to 5 years (2)	[illegible]				
7	Over 5 years (11)	[illegible]				
8	All stocks (13)	[illegible]				
9	Debs & Loans (65)	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

Starmin restates loss and rescinds dividend

By Catherine Milton

STARMIN Group, the quarry products company chaired by Lord Parkinson, the former cabinet minister, yesterday said its previously reported full year losses had been under stated by millions of pounds.

Instead of pre-tax losses of £8.06m, the company said losses totalled £11.9m in 1992. The proposed final dividend of 0.2p will not now be paid.

The change followed a review of the company's accounting policies, announced in July when the two Abdullah brothers resigned as executives. They had controlled Starmin since 1989.

The review, carried out by Ernst & Young at the new board's instigation, found that turnover should have been reported as £18.7m rather than £20.1m and losses per share 3.6p instead of 2.5p.

The board does not believe it needs to amend the company's 1991 accounts, which were also scrutinised. In a statement the company said it was "conscious" of the need to "to establish a longer term strategy for enhancing shareholder value". The company is understood to be trading at break-even now, but is making losses after interest payments.

The discrepancies hinge on profits having been booked on disposals which have now been reversed.

First, the company recorded a £1.4m profit following the sale of some assets and landfill facilities to Chepstow Environmental Services in December 1991. However, that deal fell through.

After CES pulled out, Jeniva Landfill, a private company, bought the assets, plus an additional quarry with a £100,000 net book value, and a £160,000 cash injection from Starmin. It paid for them in its own shares, representing 35.5 per cent of its total equity. Starmin booked an extra profit of £250,000 on the sale of the additional quarry.

Starmin said a balance of £1.26m which had been recorded as "owing" from CES was now being written off, while the £750,000 investment in Jeniva had been written down to cost of £438,000.

Second, Starmin bought Tamar and St Mary's, two plant hire companies, in March 1993, paying £300,000 in cash and £2.06m in the form of assets and land. It took a £1m profit on the "disposal".

The statement said: "Because of the inherent uncertainties in the valuations of the assets concerned it would be inappropriate to recognise any effects of this transaction."

The board also made an exceptional provision of £1.03m relating to non-core activities.

Ratner cousins share in £1m pay-off

By Neil Buckley

MR GERALD Ratner, the man who built Ratners into the world's largest jewellery group, and his cousin Victor shared pay-offs for loss of office of more than £1m last year, according to the company's annual report.

For Mr Gerald Ratner, who sowed the seeds of his own downfall by describing one of the company's products in a speech as "crap", the compensation was in addition to the £456,000 pay he received for his final 10 months as chief executive – making a total last year of more than £900,000.

He was fined £160 for a driving offence in January after magistrates at Thame, Oxfordshire, ruled he had a disposable income of only £20 a week.

He stepped down as chairman in January 1992, but remained as chief executive until November when he resigned after pressure from bankers and shareholders.

His cousin Victor resigned as deputy managing director after a management reorganisation in February 1992 instigated by Mr James McAdam, the newly-appointed chairman.

Ratners said yesterday that the cousins shared pay-offs totalling £1.01m, with Gerald receiving "just under £500,000".

That was made up of one year's basic salary of £375,000, as quoted at the time of his resignation, plus pension, car and other benefit payments.

Victor, who was on a longer, five-year contract, received slightly more than £500,000.

Mr McAdam was paid a slightly more modest £288,000 for the year to January 30, including a £35,000 pension contribution.

Mr Gerald Ratner is returning to retailing as an adviser to developers trying to convert Tobacco Dock, the failed shopping centre in London's Wapping, into a factory outlet centre where manufacturers sell surplus stock directly to the public at large discounts.

His cousin has opened a jewellery shop in Kingston-upon-Thames, and plans more.

Standard Life sells stake in lossmaking Excalibur

STANDARD Life Assurance has sold its 4.99 per cent holding in Excalibur Group, the precision engineering and jewellery company which last week announced annual pretax losses of £6.2m.

The disposal was made on the day Excalibur announced the losses and appointed Mr Arthur Church as chief executive. Standard is likely to have suffered a significant loss on the disposal of the 3m shares.

Although the shares closed 1½p up on the day at 13p, Standard has held a substantial stake since 1991 when they traded at about 45p.

Mr Richard Griffiths, the chairman's brother who has relinquished the managing director's role in favour of a non-executive board position, announced that he had purchased 200,000 shares at 15¼p on Monday, bringing his total holding to 0.39 per cent. The shares last night closed 2¾p higher at 18p.

SelecTV moves into business TV

By Raymond Snoddy

SELECTV, the independent production company famous for comedy hits such as Birds of a Feather and popular dramas such as Love Hurts, has decided to move into business television.

The USM-quoted company has bought a 50 per cent stake in Tribeca Television, a tiny independent production company run by Mr Jeffrey Ferry, a financial journalist.

The company produced Saving the American Dream which was shown on Channel 4 last December and has a series in development looking at those who created international brands such as Swatch watches and IKEA furniture.

Mr Michael Pilsworth, managing director of SelecTV, said it was also interested in joining any consortium considering running a business channel on UK cable television.

"We want to apply the humour of Birds of a Feather to corporate videos in the way John Cleese has."

The deal involves a maximum payment of about £91,000.

Ossory ex-chief in £194,000 deal

Ossory Estates, the property group which is in refinancing talks with its banks, has sold two companies to Mr John Walker, its former chairman.

The two businesses, Bence Lane Development Company and Ossory France, have combined net liabilities of £459,000 – including intercompany accounts owing to Ossory totalling £814,000.

The purchase price is £194,000.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abtrust Scotland	fin	0.6	Sept 27	0.6	0.6	0.6
Green Property	int	1.2‡	Sept 30	4.2	-	3.8
Law Debenture	int	6.5	-	6.25	-	18.25
NatWest	int	6.4	Oct 15	6.125	-	17.5
Pacer Systems §	int	3☆	Dec 15	3	-	6.5
Yorks Chemicals	int	2.6†	Oct a	2.5	-	7.65

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ US cents. ‡Irish pence.

Muscle power of a NatWest arm

THE £253m interim profit made by National Westminster Bank's securities and corporate lending arm, NatWest Markets, made it the bank's most profitable operating sector.

The obvious question was voiced by Mr Martin Owen, its chief executive: "Has it all been done by mirrors", he asked.

That question translates into whether National Westminster has managed to establish a securities business to rival that of Barclays' BZW, or whether the figures were merely flattered by abnormal profits from foreign exchange and capital markets trading in six months of currency volatility.

Mr Owen's answer was unsurprisingly that NatWest Markets is starting to establish a presence a year after he was appointed chief executive. If so, it is achieving a largely unknown feat by putting together NatWest's corporate banking for its 1,300 largest customers with a range of securities operations.

It was hard to tell by the figures yesterday. The bank would only break down NatWest Markets' profits to the extent of saying that it had made strong dealing profits of £246m from higher volumes and wider spreads, and that its equities and venture capital operations had also done well.

Furthermore, its lending contributed to a squeeze on the international net interest margin because it took on low margin assets in treasury operations. Yet Mr Owen insisted that there had been "a step jump" in the business as it started to gain the benefits of integrated operation.

Ashley Ashwood

Keeping an eye on the markets: Lord Alexander (left), chairman of NatWest Bank, with chief executive Derek Wanless

This is a significant change for NatWest, which two years ago was uncertain of whether it would retain NatWest Securities, its broking business. It had suffered from publicity over County NatWest's involvement with Blue Arrow, and two Department of Trade and Industry inquiries.

Mr Derek Wanless, NatWest's chief executive, said yesterday that NatWest Markets was "more than exceeding the required return" from NatWest which is now to make a 17.5 per cent post-tax return. Even discounting the exceptional trading profits, he expects it to be above the barrier. In fact, staff were told yesterday that treasury profits were marginally higher than the last half of 1992, while capital markets had gained much more strongly. Equities moved back into profit after a second half loss, while profits in corporate finance fell from the same period.

The crucial problem in investment banking that Mr Owen has been trying to address is that much of large corporate lending has been at too fine margins to be profitable. Banks have to persuade corporate customers to give them other business such as debt and equity raising, or treasury, to make money.

Mr Owen said that NatWest Markets now has systems in place that allow it to calculate the overall value of customer relationships. "Of course, it is impossible to get down to the last penny in things like foreign exchange trading, but we broadly know that we are in the right ball park," he said.

In practice, this review has produced some shocks. Mr Owen estimates that only 800 of 1,300 large corporates are clearly producing healthy profits. He is working on the other 500 to raise earnings. He talks of "appalling" one large customer by showing quite how unprofitable the business was.

NatWest Markets has a stiff task in producing the required capital returns because 31.5 per cent of the bank's £106.5bn risk-weighted assets are attached to the business. This means that it will have to continue to produce high non-interest income to make sure that lending is worthwhile.

However, Mr Owen believes that NatWest Markets' capacity for distribution of loan and equity capital through its large securities operation will beat smaller competitors.

The bank's size may require large returns, but it can also be used to throw some weight around in an overcrowded market.

Illingworth Morris and Woolcombers push ahead

By Daniel Green

ILLINGWORTH Morris and Woolcombers Group, both part of a textiles empire controlled by Mr Alan Lewis, yesterday reported gains in pre-tax profits and turnover for the year to March 1993.

Turnover at Woolcombers, where a planned flotation was abandoned a year ago, rose from £24.8m to £27.3m. Pre-tax profits were up from £2.95m to £3.05m.

At Illingworth Morris, Woolcombers' parent, consolidated pre-tax profits rose from £1.39m to £1.9m on increased turnover of £57.7m, against £48.3m in the previous year.

An extraordinary item of £541,000 (£123,000) represented costs relating to the postponed flotation of Woolcombers.

Exceptional items of £112,000 (£190,000) partly reflected redundancy and reorganisation costs less profits on disposal of surplus properties.

"Cost reduction measures were implemented during the year and a major amount of reorganisation was undertaken so as to place the group in a stronger position," said Mr Lewis.

Illingworth Morris was taken private by Mr Lewis in 1969, five years after he won control from the widow of actor James Mason after a long series of court battles.

Trinity back on takeover trail with Woodhead deal

By Raymond Snoddy

TRINITY International, publisher of the Liverpool Daily Post and Echo, has returned to the takeover trail with a £12.6m recommended cash offer for Joseph Woodhead of Huddersfield.

The independent private company publishes and prints the Huddersfield Daily Examiner, a daily with a circulation of some 40,000.

It also owns a number of local weekly and monthly titles and a small retail and commercial stationery business in Huddersfield.

The acquisition comes less than a month after Chester-based Trinity agreed to buy 26 local newspapers of the Argus Press group in a deal worth £23m.

The Argus deal, which will be examined by the Monopolies and Mergers Commission, takes Trinity into the south of England newspaper market for the first time.

Trinity, which has been intent on expanding its regional newspaper interests, will fund the Huddersfield acquisition from existing resources.

The company owns local and regional newspapers in north-west England, North Wales, Canada and the US. Last year it bought Scottish and Universal Newspapers from Lonrho for £45m.

½ hour ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.66	18.46	18.46
[illegible]	[illegible]	[illegible]	[illegible]

COMPANY NEWS: UK

Unlikely springboard for European growth

By Christine Buckley

JAMES BROWN will be the first entertainer not wearing football boots to play at the New London Stadium.

The veteran soul singer appears at the end of this month by arrangement with Ogden Entertainment Services of New York, one of the world's biggest marketing companies.

Ogden, which manages 110 venues in the US and Canada, has found its springboard to a European stadia operation in New Cross, south London, the home of Millwall Football Club.

The US group, whose only other European operation is baggage handling at Gatwick Airport, is at the start of a vigorous European campaign in entertainments.

Last month it agreed a 20-year contract to operate Manchester's new Olympic arena and it is in the final throes of arranging a deal concerning a new stadium in Kirklees, West Yorkshire. Several other projects are under negotiation including plans for Germany and Belgium as well as further schemes for the UK.

Mr Frank Russo, Ogden's vice president for international operations, is excited about the Millwall venture. He is unworried about the club's former reputation for supporter violence or the ground's location in an area of south London considered in need of regeneration. "The area has a reputation that is based more in perception than truth," he said.

The link-up between Ogden and Millwall arose from an association between Mr Peter Mead, vice-chairman of the football club, and chiefs at Ogden. It has resulted in the 10 year management deal under which Ogden will take full responsibility for non-football events and take a share in catering and merchandising.

Mr Russo sees the UK as a market ready to be tapped. Apart from customers clamouring to be treated "with more kindness", he also sees potential for more stadia. "There needs to be more of a circuit in the UK," he said.

The foothold Ogden has made at Millwall will soon be consolidated by plans for a permanent UK base.

Lions roam from Den to seek long-term safety

Christine Buckley on Millwall Football Club's move to a new home

THERE are too many professional football clubs, believes Mr Reg Burr, chairman of Millwall. "You could get rid of about 25 clubs hanging on by their fingertips."

Millwall, the first division team, is now not one of them. Tonight the south London side, owned by USM-quoted Millwall Holdings, opens a £15.5m multi-purpose stadium, built – remarkably given the company's £12m market value – without recourse to debt.

The company has had a rocky ride on the Stock Exchange and the club has long been dogged by the reputation for violence of its supporters.

But, Mr Burr reckons, the stadium's inaugural match, between Millwall and Mr Bobby Robson's Sporting Lisbon, will mark a turning point in the club's 108-year history and one which he thinks will guarantee football at Millwall for at least 75 years.

Millwall Holdings was floated on the USM in 1989 at 20p a share. It started trading in profit, but in 1990 a combination of relegation from the then First Division and an ill-fated foray into the pubs business with the £10m purchase of Tavern Leisure took their toll.

Ashley Ashwood

Waiting for the kick-off: Millwall's new stadium which, it is hoped, will develop a life of its own

The company tumbled into loss with a pre-tax deficit of £2.67m in the 10 months to end of May 1991. Losses have since been cut with the disposal of the pub chain, but Millwall has yet to return to profits.

The shares now stand at 4½p.

Even before these troubles, the club had decided it must move to a new ground if it was to survive.

Now the club, nicknamed the Lions, has left its Den, the old club ground, much to the demonstrated distress of fans, to roam Senegal Fields, the site of its new home, New London Stadium.

Although only half a mile down the road, it promises to be a world away from the old Millwall terraces.

Much of the cash for the new stadium came from the sale of the Den, a £3.2m rights issue this spring, and grants from the Football Trust and Lewisham Council, Millwall's local authority.

The Den's sale to Fairview New Homes, the housebuilder, yielded £5.2m. The Football Trust awarded a grant of £2.5m, the largest it has made to a league side.

This was topped up by an extra allocation by the trust of £250,000, made to fund Taylor report requirements. This report, written after the Hillsborough disaster in 1989, required football clubs to convert their terraces to seats.

Lewisham Council, long-time sponsors of Millwall, provided £2.6m. The stadium includes a community sports hall. The Senegal Fields site is owned by Lewisham and is on a 125-year lease to Millwall.

Various other sponsorship tie-ups and schemes make up the rest of the funding. Millwall has struck a 5-year marketing deal with Coca Cola and its kit will be sponsored by Seagram's International, the drinks group.

But the new ground is not just for football. Mr Burr is keen the stadium develops a life of its own beyond the football club, producing returns that will sustain the club's development over the long-term.

The stadium is designed to host pop concerts, boxing, festivals and other events as well as Millwall matches.

Ogden Entertainment Services will handle all non-football events under in a 10-year arrangement, taking a management fee and a percentage of the food and beverage sales. Mr Burr is adamant that with non-football events "we are not taking a promotional risk".

He sees such off-field expansion as the only way for football clubs to prosper as live soccer is an addiction for a diminishing number of people.

It provides another important source of income when clubs are suffering financial pressures on many sides, including falling gate receipts, rising transfer fees, and the expense of implementing the Taylor report.

Clubs cannot afford a hand-to-mouth short-term outlook, Mr Burr believes, painting a grim picture of the falling fortunes of football clubs that is born from ailing local economies.

"When I first came into football 30 years ago it was all about 11 men kicking a ball. That was very nice but it isn't like that any more, it can't be."

NEWS DIGEST

CE Heath raises £21m in share sale

CE HEATH and CE Heath International Holdings yesterday announced the successful completion of the placing of 32.4m HIH shares held by Risk Management Holdings, a wholly owned subsidiary of Heath.

HIH is the Australian holding company which owns Heath's underwriting operations in Australasia and the Pacific Basin and was, until its flotation on the Australian stock exchange in June 1992, a subsidiary of Heath.

Following its listing Heath's interest was reduced to below 50 per cent. Yesterday's placing left the insurance broking group with just 25 per cent of the company.

The shares have been placed by MacQuarie Equities with a number of institutional investors worldwide at A$1.40 apiece, against their last traded price of A$1.42.

The placing will raise some £21m before tax, against a book value at March 31 of about £14.3m. Of the net proceeds, £11m will be used to reduce bank borrowings. The balance will be used to fund expansion.

Pacer incurs $235,000 loss

Pacer Systems, the US-based electronics group traded on the USM, incurred a pre-tax deficit of $235,000 (£157,000) for the half year to June 30. That compared with previous profits of $320,000.

The company said it expected to return to profit in the second half.

Turnover slipped to $14.3m ($14.5m). Losses per share emerged at 3 cents (earnings 4 cents). The interim dividend is held at 3 cents.

CU Environmental assets improve

CU Environmental Trust returned an attributable profit of £29,000 for the six months ended June 30, compared with £92,000 for the three months to end-June 1992.

Earnings per share for the half year emerged at 0.16p (0.53p for period). Net asset value per share in the first six months rose by 8.4 per cent to 110.9p.

Green Property falls to I£860,000

The timing of asset sales contributed to a fall in pre-tax profits at Green Property from I£1.01m to I£860,000 (I£803,000) for the six months to June 30.

However, net assets per share advanced from 181p to 194p over the six months, due mainly to the appreciation of sterling.

Earnings per share were 3.77p (4.39p). The interim dividend is unchanged at 1.2p and the company expects that the full year payment will be at least maintained at 3.8p.

Farringford accounts may be qualified

Farringford, the former soft drinks manufacturer which now has the Farringford Hotel on the Isle of Wight as its only active – and profitable – subsidiary, turned in accounts for the year ended February 28 which it is anticipated will be qualified on a going concern basis.

The loss for the year was £655,000 – against a deficit of £2.29 for the previous 14 months – after exceptional items of £317,000 (£1.27m) and before making any allowance for the possible earn-out from the disposal of Alpine Soft Drinks (UK).

The deficiency of shareholders' funds of £167,000 on February 28 was corrected with an injection of £300,000 cash from convertible redeemable preference shares.

Losses per share came out at 2.5p (16.1p).

Albert Fisher £2m disposal

Albert Fisher, the food processing and distribution group, has sold certain of the assets, liabilities and business of Unimerchants to a management buy-in team.

The net assets being disposed of have a value of £2m. The management team was advised by MMD Corporate Finance, while equity finance was provided by 3i and Baronsmead. Debt finance was provided by the Bank of Scotland.

The business being disposed of is an importer of olives, olive oil, pasta and tomato products. Unimerchants' remaining business, the distribution of imported canned fruit and vegetable products, will be integrated with Fisher Quality Foods.

Unigroup gets £15m for Pharos stake

Unigroup, the timber and building materials group, will receive £14.8m from Antah Holdings, one of its shareholders, for its outstanding 60 per cent stake in Golden Pharos.

Unigroup announced earlier in the year it was floating 35 per cent of Pharos on the Kuala Lumpur stock exchange. Dealings of 17.5m shares will begin on September 13 at a price of M$1.8m each.

Senior management changes at Archer

AJ Archer, the listed Lloyd's agency, has announced a reorganisation of senior management and the closure of two of its 19 syndicates.

Mr Richard Maylam will stand down as chairman of AJ Archer Holdings in order to focus on his primary responsibility as underwriter of syndicate 270. Mr Brian Kellett will become executive chairman and Mr Ralph Sharp will be group managing director.

Syndicate 697 will merge with syndicate 741 for the 1994 year of account. Syndicate 256 will cease to underwrite from 1994. AJ Archer & Co, one of two managing agents in the group, will be renamed Tower Underwriting Agents. AJ Archer Holdings will be renamed at a later stage.

Spanish lace buy for Courtaulds Textiles

Courtaulds Textiles is acquiring for cash the share capital of Galler Iberica of Spain and a sister company, Texicolor.

Galler is the market leader in Spain and Portugal in raschel and jacquardtronic laces, and exports about half its production, mainly to other European countries.

The aggregate turnover of the acquisitions will be about £14m in 1993 and net assets at December 31 1992 were about £7m. The consideration is not material in relation to Courtaulds Textiles' net assets.

Capita makes £4m software acquisition

Capita Group, which provides services to the public sector, is to acquire West Wiltshire Software, a division of West Wiltshire District Council, for £4m cash.

The council has also awarded Capita a £3m contract to manage its computer facilities until March 31 1997.

West Wiltshire Software had income of £4.9m in the year to April 5 and generated profit of £3.1m.

Abtrust Scotland net assets ahead

Abtrust Scotland Investment, an investment trust which concentrates its portfolio on unlisted Scottish companies, reported an undiluted net asset value of 34.3p per share as at May 31, a rise of 6.5 per cent over the year.

Mr Calum Macleod, chairman, said that the trust's net asset value had risen by 37 per cent over the past five years, against an advance of 12.3 per cent in the NatWest Securities Venture Capital Nav Index.

A number of companies in the portfolio showed "outstanding performances" Mr Macleod said, notably Grampian Television, Aberdeen Trust, John Wood, Seaforth Maritime, GRT and Scotcare. In contrast, the trust suffered a significant write-down in the value of its holding in Adam and Company, the Edinburgh-based private bank which recently disclosed losses of £21m in unauthorised treasury transactions.

Reduced dividend income and the early redemption of high-yielding preference shares by some companies left net revenue sharply lower at £139,993 (£258,645), equivalent to earnings of 0.42p (0.77p) per share. Nevertheless, the dividend is maintained at 0.6p.

Correction
N'humbrian Water

Northumbrian Water has acquired Hambros *Leasing* (June), a small part of the Hambros Leasing portfolio. Hambros Leasing remains a division of Hambros Bank.

Allied-Lyons confirms £40m buy from Bass

By Philip Rawstorne

ALLIED-LYONS, the drinks, food, and retailing group, yesterday strengthened its position in the UK's growing take-home drinks market with the acquisition of the Augustus Barnett chain of off-licences from Bass for £40m cash.

The deal will add about 550 outlets to Allied's Victoria Wine business, creating a nationwide estate of 1,510 shops with an 8.6 per cent share of the £6bn market.

Whitbread's Thresher chain is the present market leader with a 10 per cent share, closely followed by J Sainsbury and Tesco, each with more than 9 per cent.

Mr Tony Trigg, chief executive of Allied-Lyons Retailing, said yesterday that the location of the Augustus Barnett shops complemented those of Victoria Wine. "Our initial impression is that there will be very few, if any, shop closures. Indeed, we will continue to grow the estate."

Bass will supply a range of its beer brands to the combined operation, which will be particularly strong in London and south-east England, the north-west, and Scotland.

Mr Ian Prosser, Bass's chairman, said the sale reflected the group's strategy of focusing on its main business areas of brewing, international hotels and pub retailing.

TR Pacific net assets rise

STRONG performances by south-east Asian stock markets, particularly Hong Kong and Indonesia, contributed to a rise of 23.6 per cent in net asset value at TR Pacific Investment Trust over the six months to June 30.

The figure of 141.7p compared with 114.63p in December and 95.3p a year earlier.

Net revenue improved to £370,000 (£328,000) for earnings of 0.552p (0.49p) per share.

Plans to raise further equity finance have been under consideration since the beginning of July, but directors said they were not proceeding immediately.

The proposals will be kept under review.

The trust continues to be optimistic on the region's growth prospects. The overheating economy in China may have a temporarily adverse effect on sentiment, but directors see a good outlook for longer term investment.

UniChem buying six pharmacies

UniChem, through its E Moss subsidiary, has acquired six pharmacies in the Manchester area from Waterloo Chemist and its subsidiary companies.

The maximum consideration for the acquisitions, including stock and other trading assets, is £796,250, to be satisfied by the issue of 340,903 UniChem shares and £2.69m in cash.

The acquisitions, which have a combined turnover of more than £4m, bring the number of pharmacies owned by Moss to 242.

● AAH, the pharmaceuticals distribution group, has acquired two pharmacies for an initial £567,500 in cash and a further sum, not exceeding £90,000, relating to aggregate net asset values.

The acquisitions are Langley Green in Crawley, Sussex, and M&J Barr in Cardiff.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Chieftain, GKN, Glynwed, Malvern UK Index Trust, Midland Bank.
Finals- Basles Horter, In Shops, McKay Secs, Prior, Willemson Tea.

FUTURE DATES

Interims-	
City Merchant High Yield	Aug. 12
Dewsongroup	Aug. 18
Haden MacLellan	Aug. 13
Ocean Group	Sep. 7
Provident Financial	Sep. 1
Roseby's	Aug. 18
Sleepy Kids	Aug. 18
T&N	Sep. 9
Vickers	Sep. 8
Finals-	
Ricardo	Aug. 23

NEWS IN BRIEF

BRITISH BIO-TECHNOLOGY has sold British Bio-Technology Products to Techne Corporation for $2.5m (£1.5m) cash, its approximate net asset value at June 30, and a warrant to buy 50,000 *Techne shares.*

CML MICROSYSTEMS has acquired Applied Technology (UK) through its Microsense Systems subsidiary. The purchase price was not disclosed.

CRESTACARE has received applications in respect of 39.7m of its 83.2m open offer, with the remaining 43.5m offer shares being taken up by institutional and other investors of Credit Lyonnais Laing. The company also announced the resignation of Mr Brian O'Connor as chairman. He is succeeded by Mr G Hart, deputy chairman.

FERROMET GROUP, the USM-quoted metals trader, has accepted the resignation of Mr Roger Wain as chairman. The board said it continued to examine "a number of opportunities" for the future of the group.

FILOFAX has acquired the goodwill of the organiser distribution business of Libris Media of Sweden for SKr18m (£1.5m). In the year to April 30, Libris sold about SKr15m of Filofax branded product and made pre-tax profit of SKr3.4m.

FLAGSTONE is to announce its delayed results for the year to January 31 on August 5, while discussions about a "significant" transaction continue.

FROGMORE ESTATES has received acceptances in respect of 12.12m new ordinary shares (96.6 per cent) offered in its rights issue.

GRAMPIAN HOLDINGS' French sports footwear and leisure wear subsidiary, Patrick International, has agreed a five-year business lease agreement with LJO International under which LJO is granted a licence to use the Patrick brand name and trade marks.

HIGGS & HILL has acquired Tellings from Ellis-Don (UK) for a nominal sum.

KINGFISHER is to convert its 8.5 per cent convertible unsecured loan stock into fully paid ordinary shares of 25p at the rate of 46.119 ordinary for every £100 nominal of the stock converted.

OWEN & ROBINSON subsidiary O&R Jewellers has been awarded £392,000 damages, and costs, in respect of legal action against underwriters and its former insurance brokers for refusing to indemnify after an armed robbery.

STRATAGEM'S offer for Harrison Industries has been declared unconditional. The company had received acceptances for 97.8m shares or 78.7 per cent. Stratagem has also received applications for 61.3 per cent of its placing and offer, representing 4.1m new shares. The balance has been conditionally placed with institutions.

COMPANY NEWS: UK

Indication of sizeable profits rise issued to dampen speculation

Yorkshire Chemicals shares dip

By Peggy Hollinger

YORKSHIRE Chemicals yesterday indicated that it was expecting a profits increase of at least 20 per cent this year, in an effort to dampen speculation over European trading which had sliced 5 per cent off its share price by mid-morning.

Mr Phillip Lowe, chairman, said the fall in the share price – which finally closed 16p lower at 339p – following his comments over the severity of the European downturn had been unjustified upon close examination of the interim results published yesterday.

"The statement, read in totality, should not be regarded as pessimistic . . . realistic, yes, but not pessimistic," Mr Lowe said.

He said the UK group, which derives more than 90 per cent of its sales from abroad, had come through the worst of the European recession: "We think we are through the bottom."

As a result, he said, "I would be disappointed if we didn't advance pre-tax profit by 20 per cent for the year as a whole".

The group announced a 17 per cent improvement in interim pre-tax profits to £6m, largely due to the effects of a weaker pound. Sales for the six months to June 30 were ahead 15 per cent at £55.6m. Stripping out exchange rate movements, pre-tax profits were marginally ahead at £5.4m on sales down £400,000 at £50.5m.

Mr Lowe said the group had suffered a particularly difficult first quarter, when price cutting of up to 26 per cent had seriously depressed margins in the textile dyes business. However, prices had stabilised by the second quarter, and the trend was expected to continue in the second half.

Yorkshire had achieved "prodigious growth" in both Australia and the US, Mr Lowe said, while sales in the UK increased as the group penetrated new markets.

The group expected further growth in 1994, as the five-year £42m capital expenditure programme launched in 1991 begins to feed through. So far this year Yorkshire had spent £5.8m on increasing capacity, 15 more cent more than last year.

Earnings per share, restated to reflect the £24m rights issue in March, rose by 8 per cent to 9.8p.

The interim dividend is increased to 2.6p (2.5p).

Phillip Lowe: through the worst of the recession.

● **COMMENT**

The lemming-like race away from Yorkshire which pushed the share price over the edge may have been slightly exaggerated. Few can find fault with the management or the investment programme, which promises to increase capacity significantly by 1994. The real problem appears to lie both in the short-term and in the sector as a whole, which shows no sign of recovery in the latter half of the year. Yorkshire's warning merely reinforced comments made by its colleagues earlier this year. Forecasts are for a near-30 per cent rise in profits this year to £13m, albeit on the back of currency gains. The rather demanding prospective p/e of 18 falls to a slightly more reasonable multiple of 15 next year on profits of £14.5m.

Advance for two building societies

By Philip Coggan, Personal Finance Editor

TWO MEDIUM-sized building societies yesterday reported improvements in their profits for the first six months of the 1993 year.

An rise in margins helped the Skipton increase its interim profits from £645,000 to £4.17m pre-tax. Net interest receivable rose from £21.7m to £24.1m, thanks to a reduction in the society's wholesale funding.

Operating profits rose by 14.3 per cent, from £18.6m to £21.2m.

The society said that the number of mortgages in arrears, including repossessions, fell by 15 per cent from the end of 1992. However, the society's bed debt provision fell only slightly from £17.9m to £17.1m.

Mr Ron McCormick, finance director, said that was because of an increase in provisions against commercial loans.

Assets fell slightly from the year end level of £3.01bn to £2.93bn.

Mr John Goodfellow, chief executive, said: "Our objectives remain to improve asset quality, retain our cost-effectiveness and maximise non-interest income. The outlook for the housing market remains cautious, but the society is now well positioned for a period of steady growth in performance."

Meanwhile, the Coventry Building Society announced a 10.2 per cent increase in interim pre-tax profits to £13.1m.

The society said that its £4.2m provision for mortgage losses, while higher than the £3.6m recorded in the first half of 1992, was much lower than the second half's £10.1m provision.

The results also included an exceptional debit of £841,000 reflecting the costs involved in a restructuring of the company's management.

Net interest receivable was £25.6m (£23.6m) and operating profits rose by 17.1 per cent to £18.1m. The society's total assets were £2.82bn, compared with £2.7bn at the end of 1992.

Mr Martin Ritchley, Coventry's cbief executive, said: "It is envisaged tbat as the long awaited upturn in tbe bousing market takes effect, tbe society's lending activity will continoe to expand."

Warning from Sherwood Computer

By Paul Taylor

SHARES IN Sherwood Computer Services lost almost a third of their value yesterday after the group warned that its first-half profits would be "substantially below" those for the same period last year.

The shares, which reached a five year-high of 350p at the end of February but have since dropped sharply, fell by a further 63p yesterday after the profits warning to close at 145p.

The group, which has developed specialist software for the insurance and housing finance markets, blamed the expected profits downturn on "the well publicised difficulties in the Lloyd's market and uncertainties surrounding local government financing."

Last year, the group reported pre-tax profits of £1.75m for the six months to June 30, bolstered by lower interest costs and a £532,000 exceptional credit which offset a £200,000 charge related to earlier difficulties in the Lloyd's insurance market.

The 1993 interim results have been brought forward and are now expected to be announced later this month.

Mr Richard Guy, chairman, said the shortfall was largely attributable to the problems in the Lloyd's market which have resulted in reorganisations and contractions of agencies and the closure of syndicates. In particular, Sherwood has been badly affected by the reorganisation at Sturge, the largest Lloyd's managing agency.

Mr Guy said this, together with the general uncertainty in the market, had resulted in a "drastic reduction" in software licence revenues at a time when Sherwood was customising its Sceptre software to meet the requirements of Sturge.

Similarly, he said uncertainties in local government financing caused by the replacement of the community charge with council tax had created a difficult environment for sales of Threshold, Sherwood's public sector housing software product.

Despite the setback, directors said they remained positive about the group's prospects for the remainder of the year.

"Substantial new contracts have been won which will have a positive effect in the second half and the company's finances remain sound," they said.

Queens Moat sets date for annual meeting

Queens Moat Houses, the hotel group which is in talks with its banks about refinancing its £1bn of debt, said yesterday it would hold its annual meeting on August 26.

However, because it would be unable to prepare accounts by that date, the meeting would be adjourned after "having considered such business as it is able to" and reconvened when the accounts were available.

The group said recent valuation work showed "a significant diminution" in its assets since December 31 which could result in a breach of its borrowing powers.

A resolution to amend the borrowing powers would be put to the annual meeting.

Law Debenture net assets rise

Law Debenture Corporation, the investment trust, increased its net asset value by 11.8 per cent to 574.5p in the six months to June 30.

Net profits for the half year rose from £2.1m to £2.27m and earnings per share increased to 9.99p (9.26p).

The interim dividend is stepped up to 6.5p (6.25p), a rise of 4 per cent.

The board said that, subject to unforeseen circumstances, the final dividend would be not less than last year's 12p.

Hughes Aircraft sues GEC for $185m over radar system award

HUGHES Aircraft of the US is suing GEC for $185m (£124m) over the hotly-contested award of the radar system for the European Fighter Aircraft in 1990. Hughes claims that GEC misappropriated information and breached obligations to Hughes.

The case centres on GEC's £310m purchase of the radar division of Ferranti in January 1990. At the time, GEC was part of a consortium bidding for the EFA radar contract, using a Hughes radar system, the MSD 2000. The rival bidder was a consortium using a Ferranti system, the ECR 90.

At the start of January 1990, press reports suggested that the Ferranti consortium was ahead in the race, but that the European governments awarding the contract were nervous of Ferranti's financial condition after the massive fraud it had suffered through acquiring International Signal and Control of the US. GEC's purchase of the Ferranti business later that month had the effect of guaranteeing its financial standing. The contract was awarded to GEC/Ferranti in May of that year.

The Hughes suit, disclosed in GEC's latest report and accounts, also seeks a royalty on sales of radars designed by GEC subsidiaries from the alleged misappropriation of information. The case is contested by GEC, which is counter-claiming for over $5m.

NEWS IN BRIEF

BURMAH CASTROL is to increase its holding from 40 per cent to 51 per cent in Castrol India. The company plans to subscribe to some 3.5m new shares of Rs10 each, paying a premium of Rs100, at a total cost of Rs389.2m (£8.3m). The proposal will be put to an EGM in Bombay on September 2.

GARTMORE EMERGING Pacific Investment Trust: Net asset value at June 30 1993 was 112p (81.5p) per share, or 104p (78.6p) assuming warrants exercised. Net revenue for six months came to £98,000 (£70,000) and earnings per share 0.15p (0.11p). Gross revenue was £766,000 (£471,000).

GREENALLS GROUP, the pubs and hotels company, has received an 86 per cent acceptance in respect of its ordinary offer for JA Devenish, the west country pubs group. The offer has now been declared unconditional. Acceptances were received in respect of 47.24m Devenish shares, which included 8.07m shares for the cash alternative (14.7 per cent) which will be satisfied by the sale of 8.22m new Greenalls shares.

LIFE SCIENCES International has acquired the business and trading net assets of Memphis Biomedical Services Inc for $415,000 (£275,000) cash and the assumption of debt to a maximum of $350,000. Further payments of up to $700,000 may also be made.

MORAN HOLDINGS has received acceptances in respect of 5.44m shares (60.97 per cent) in its recent rights issue.

MORRIS ASHBY has received valid applications in respect of 1.41m new ordinary shares at 135p apiece, amounting to 91 per cent of the open offer.

NATIONAL WESTMINSTER Bank is selling retail banking assets and liabilities of NatWest Australia Bank in Sydney, Melbourne and Brisbane to the State Bank of New South Wales for an undisclosed sum.

PENNY & GILES, a Bowthorpe subsidiary, has won an order from Bell Helicopter Textron of Canada to supply 100 solid state cockpit voice and flight data recorders. Initial value of the contract is $2m. (£1.3m)

RTZ: BZW Securities has invited bids for the shares it has agreed to acquire under its cash offer in respect of RTZ's enhanced interim scrip dividend alternative. The shares will have a value of £30.7m and BZW intends to sell them through a strike price auction, open to member firms of the Stock Exchange and to its own institutional clients.

STAKIS is raising £9.6m by a placing of 18m shares et 53¼p. Of the proceeds, £5.85m will be used to buy a 4-star 128-room hotel in York, which et present is managed by Holiday Inns (UK). The balance will be used for other ecquisitions.

TUSKAR RESOURCES bas disposed of its entire interest in the Coplex Agreements to a group of investors represented by ICC Corporate Finance. Tuskar received I£1m (£940,000) plus 6.5m freely tradeable shares in Coplex Resources, the Australian exploration company, valuing the total sale proceeds at about I£3m.

COMPANY NOTICES

LEGAL NOTICES

COMMODITIES AND AGRICULTURE

Midwest farmers turn their attention to frost

By Laurie Morse in Chicago

NOW THAT the Mississippi River has crested in critical crop-growing areas of the American Midwest, farmers and commodity traders are gauging the probabilities of an early frost.

Delayed plantings, sodden fields, and unusually cool weather have put maize and soyabean development far behind schedule in the western corn belt, which includes Iowa, Minnesota, Kansas, and Missouri.

In a year that could see farmers in Ohio, Illinois, and Indiana harvest record yields while their counterparts to the west watch their crops yellow from too much rain, crop analysts have found it difficult to put an accurate estimate on the overall US maize or soyabean production.

Traders at the Chicago Board of Trade have been riding the weather rally like a steer at a rodeo. The soyabean futures price for November delivery, after taking a breather last week, rallied by 18½ cents on Monday and in early trading yesterday remained above $7 a bushel. The figure was in spite of some analysts' assessments that prices were overdue for a downside correction.

The US Department of Agriculture, in a weekly crop report released late on Monday, said that only half of Iowa's soyabean area was blooming as of August 1, compared with the 90 per cent normally expected at that time of year.

Crop development in Minnesota was similarly behind, although warm, sunny weather had accelerated development in Illinois and pushed Ohio soyabeans ahead of schedule.

Only a quarter of Iowa's maize crop had tasselled by late last week, behind the usual level of 85 per cent, while maize crops in Minnesota and Missouri were also critically underdeveloped.

Farmers have turned from watching their rain gauges to pondering temperature forecasts.

Mr Terry Francl, senior economist with the American Farm Bureau, estimated that average maize maturity dates are anywhere from one to five weeks behind.

The delay was likely to have two major detrimental effects. First, he said, maize will pollinate later in the season, during the hotter, more stressful weeks of August. Second, he warned that maize maturity dates are being pushed to or beyond normal frost dates. Soyabeans are also late developing and are vulnerable to frost.

The farm bureau has reduced its soyabean production forecast for the entire US to 1.812m bushels, well below the USDA's July 12 estimate of 1.975m.

The bureau's maize production figure is now at 7.247m bushels, compared with USDA's 7.850m.

"That is only an estimate," said farm bureau spokesman Mr Jack King, "We are already hearing another 50,000 acres of prime crop land has been destroyed by levee [embankment] breaks south of St Louis. The water is receding, but many of the levees have been weakened, and are giving way."

US rain-starved crops wilt in heat

Drought in America's south-east is untimely, says Barbara Harrison

WHILE THE Midwest, America's agricultural heartland, is awash with flood waters, farmers in the south-east are struggling with severe drought and blistering heat. And, with little relief from the dryness and high temperatures in sight over the next few months, agricultural losses in the region are likely to mount.

Georgia's governor, Mr Zell Miller, who toured drought-stricken parts of his state last week warned: "All indications are that these conditions will continue to worsen".

The drought area stretches from Virginia southward through Georgia and westward across Alabama and Mississippi.

In the worst hit states of North Carolina, South Carolina and Georgia, rainfall has been below normal for three months, according to the US Department of Agriculture. Temperatures in much of the area have recently been averaging near or over 38°C (100°F).

"Crops are being very severely stressed," says one USDA meteorological official. It says conditions for poultry and livestock are adverse. The three worst hit states are significant producers of maize, soyabeans, tobacco, cotton, and peanuts as well as poultry and livestock.

The drought, considered the worst since 1986, combined with heat over the past month or so has worsened growing conditions at crucial times for crops. Soyabeans, for example, were at a critical moment for blooms in the second half of July, and cotton, which is normally at least knee high in July, was flowering just six inches off the ground.

"It is very definitely untimely," says Mr Ray Motha, an official at the USDA.

Agricultural losses have already risen to such calamitous levels that the governors of North Carolina, South Carolina and Georgia have requested that Washington declare part or all of their states federal disaster areas. The designation would allow farmers to receive low interest government loans and other emergency aid.

The $4.3bn flood relief bill pending in congress would help drought victims and farmers affected by the floods.

The drought has attracted attention of Farm Aid, a private group that provides relief donations to farmers. On July 30, country music star Mr Willie Nelson presented a $10,000 cheque to a federation of southern farming co-operatives.

In South Carolina, especially suffering in the dryness and heat, estimates of agricultural losses are already running above $200m (£134m). The figure represents 17 per cent of the state's annual total $1.2bn in agricultural production, according to South Carolina's Department of Agriculture.

One farmer in the western part of the state says his land had not seen rain between May 10 and July 20.

Georgia estimates its losses at $500m and North Carolina puts its losses so far at $100m.

Overall, maize and soyabeans are the most affected crops in the three states, followed by tobacco, cotton, peanuts, the forage crops of hay and pastures, chickens, hogs and cattle.

In North Carolina 57 per cent of the maize crop is in poor or very poor condition, while in South Carolina and Georgia 95 per cent and 46 per cent, respectively, of the maize crop is calculated to have been lost. In South Carolina, 58 per cent of the 505,0000 acre soyabean crop is in poor or very poor shape, and in Georgia 48 per cent of the soyabean crop is in poor or very poor condition.

A remarkable 75 per cent of the cotton crop in South Carolina is reported in poor or very poor condition, and a quarter of Georgia crop is rated similarly, according to the USDA weekly crop report.

The south-east, which is the largest US chicken raising area, has not yet reported region-wide figures on birds lost. But some 1.8m birds have died in South Carolina and another 300,000 in Georgia. Ms Mary Clouse, editor of Poultry Grower News in Pittsboro, North Carolina, called the regional losses "enormous".

The region is not expected to see much relief from the grueling heat and dryness in the coming weeks, according to the US National Weather Service. In its 90-day forecast, issued on July 30, the agency said the region had a 55 per cent probability of above normal temperatures. And, it would only make a 50-50 guess that the area would see relatively normal rainfall over the next 30 days.

For some crops, rain over the next month could bring recovery. A fresh measure of the losses will come on August 11 when the USDA's crop report is expected to indicate how adversely yields will have been affected.

Trade wave buoys CBoT

By Laurie Morse

THE MIDWEST floods set off a trading frenzy at the Chicago Board of Trade in July with the exchange's agricultural futures and options turnover hitting a record 5.5m contracts.

Soyabean futures volume was up 76 per cent over the same month last year and maize turnover was up 60 per cent. Options volumes in both commodities doubled.

The exchange as a whole had its third busiest July on record at 16m contracts. In spite of falling interest rates, CBoT financial futures and options volumes were up only 4.5 per cent in July at 10.5m contracts. Ten-year treasury notes saw the largest percentage gains.

Volume at neighbouring Chicago Mercantile Exchange reached a July record of 11.7m contracts, led by 5.6m in Eurodollar futures turnover.

In spite of the currency turmoil in the European Community, CME currency futures and options volume was down 8 per cent from July 1992 at 2.9m contracts.

For the first seven months of the year CBoT volume was 87.2m contracts, up 11.2 per cent from 1992. The CME year to date volume was close behind at 8.5m, up 9.2 per cent from last year.

MG denies being caught in a tight LME copper market

By Kenneth Gooding, Mining Correspondent

METALLGESELLSCHAFT, the German metals group, yesterday vehemently denied rumours that, along with some of its big customers, it was on the wrong end of the squeeze in the London Metal Exchange's copper market.

"It is wrong to assume that MG or its customers can be squeezed," said an official.

Although two customers and one MG company had sold copper short (sold in the expectation that the price would fall) "every ounce short has been delivered or will be delivered", the company said.

Nevertheless, MG has urged clients to be cautious because of a possibility that the squeeze might become tighter in October.

Conditions in the copper market have led the LME board to twice give a warning that it would take any action necessary to maintain order.

The MG official suggested that the latest warning could be interpreted as a message about not selling copper short unless able to deliver.

The extreme technical tightness in the market has eased only slightly since the latest LME warning last week.

Yesterday the backwardation (premium for metal for immediate delivery) slipped to $9 a tonne compared with $17 last week.

LME WAREHOUSE STOCKS (As at Monday's close)	tonnes	
Aluminium	+12,650	to 1,961,460
Copper	+1,075	to 464,325
Lead	+1,050	to 273,650
Nickel	+225	to 101,796
Zinc	+1,350	to 716,850
Tin	-10	to 20,805

Analysts suggested the drop was likely related to options declarations today.

Mr Yasuo Hamanaka, deputy general manager of Sumitomo Corporation's non-ferrous metals department, said earlier this week that, contrary to any market rumours, no organisation was manipulating the copper market to drive prices upward.

He pointed to the steep fall in prices in May and suggested that many market participants had been building big short positions during the past few months. Recent covering of those short positions had pushed up prices, he said.

Other traders suggested that North American copper producers had sold short but were well able to cope with any squeeze – which might not be the case for organisations that granted options during the copper price collapse in May.

In spite of the battering some trading houses suffered then, when the copper price fell by 25 per cent in five weeks, and any punishment that might be suffered from the coming squeeze, there have been no suggestions of LME traders facing financial difficulties of a kind which might have an impact on the exchange.

Mr David King, chief executive, explained, "the market is deeper, more liquid, more professional and has many more checks and balances" than it had 10 years ago.

Profit dive for non-ferrous metals

By Kenneth Gooding

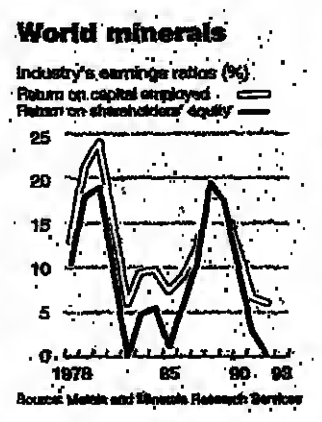
THE NON-FERROUS metals industry put up its worst financial performance for 10 years in 1992, according to the Metals & Minerals Research Services consultancy group. "If 1991's results were poor, those for 1992 verged on the disastrous," it said.

Its analysis showed net profits of 184 publicly-quoted corporations, after all taxes and charges, virtually disappeared last year, falling from $2.9bn in 1991 to only $38m.

At 5.8 per cent, last year's aggregate return on capital employed by MMRS's sample of mineral producers was below 5.9 per cent of 1982 and the worst recorded in 16 years.

Return on shareholders' equity, however, nil last year, was not quite as poor as the -0.1 per cent seen in 1982.

Debt was also on the increase last year, and gearing, which had stood at 39.6 per cent in 1990 reached 43.7 per cent in 1992, the worst figure recorded by MMRS.



Source: Metals and Minerals Research Services

Companies cut back on capital expenditure, which was reduced from 12.2 per cent of sales to 11.1 per cent, but spending on exploration and research and development remained at 2.1 per cent.

MMRS pointed out that the bottom-line or net profits were badly affected by two new accounting standards widely adopted in the US last year: SFAS 109 (which relates to the calculation of deferred tax liabilities) and SFAS 106 (which states that balance sheets should show accrued liabilities for post-retirement benefits other than pensions).

The standards virtually wiped out the industry's profits – MMRS's regional analysis shows that in the US aggregate net earnings of $546m in 1991 became net losses of $2.55bn last year.

The research showed the industry's operating costs were kept under control in 1992 and fell from an aggregate $151bn to $148bn, even though production was rising.

MMRS's 1993 World Minerals Industry Financial Review: £750 from MMRS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Nymex submits a $50m takeover offer for Comex

By Laurie Morse

THE NEW York Mercantile Exchange has submitted a $50m offer for the New York commodity exchange in a deal that could merge the world's largest energy market with the largest precious metals exchange.

The deal would distribute $30m to the Comex's 772 members at closing and $20m to be paid in $5m tranches over four years.

To placate its own 785 members Nymex directors are also proposing to distribute $15m among them if the Comex deal is completed. Another $4,000 per lease or $1m will be paid to traders who rent Nymex memberships.

The Nymex, with its highly successful oil contracts, has accumulated retained earnings estimated in excess of $30m.

Comex first entertained takeover bids in January after its seat prices faded to $42,500 following three years of declining volume.

The Chicago Board of Trade offered to pick up the flagging exchange for free in January, in exchange for administrative cost-cutting.

The 1993 gold rally has since made the Comex a more glittering prize. Seat prices have rocketed to $90,000 and volume in July topped 2m contracts.

July gold futures volume at the Comex was 1.171m contracts, compared with 734,643 in 1992. July silver turnover more than doubled to 503,935 compared to 197,946 a year ago.

If the Comex accepts the Nymex as a cash offer the exchange will become a subsidiary of Nymex, with its own governing committee.

Nymex members would gain personal trading rights to any of the new metals contracts, while Comex members would be able to trade Nymex's platinum and palladium futures and gain limited rights to trade any new energy contracts.

Comex's contracts are expected to be added to the Nymex's electronic trading system, Access.

The exchange's clearing and trade processing systems would be integrated under the plan, with cost savings to both exchanges.

If the Comex board approves the deal, it would be brought to a vote of the full memberships in late October or early November.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,540-1,600 (1,550-1,610).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.50.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 11.90-12.65 (12.00-12.80); 99.3 per cent, $ per lb, in warehouse, 10.00-10.90 (10.10-10.80).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 100-115 (105-120).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.40.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 23-35 (26-38).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

A firm New York opening enabled the London robusta **COFFEE** market to shrug off an early setback and back towards the 2½-year highs achieved on Monday. The November position slipped to $1,065 a tonne during the morning as fears of further frost in Brazilian growing areas receded. But amid quiet trading the price recovered to close at $1,085 a tonne, up $9 on the day. Although London **COCOA** prices continued to be held back by sterling's strength the market managed to add a couple of pounds to recent gains. At the London Metal Exchange **ALUMINIUM** prices built on Monday's firmness as dealers became more hopeful that the downtrend had bottomed out. The three months position closed at $1,241.25 a tonne, up $10.75 on the day. **GOLD** surrendered most of a modest early rise after the New York opening failed to provide support. The London bullion market fixed a price of $404.95 a troy ounce in the morning, but by the close it was down to $403.65, up 40 cents on the day. Dealers suggested that the market may have become a little overbought.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.40-4.42u	-.115
Brent Blend (dated)	$16.47-6.49	-0.14
Brent Blend (Sep)	$16.59-6.61	-0.15
W.T.I (1 pm est)	$17.74-7.76u	-0.18
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-193	-2.0
Gas Oil	$159-160	
Heavy Fuel Oil	$61-62	-0.5
Naphtha	$161-163	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$403.65	+0.40
Silver (per troy oz)♣	536.5c	+3.0
Platinum (per troy oz)	$417.40	+0.90
Palladium (per troy oz)	$143.75	+0.60
Copper (US Producer)	92.00c	
Lead (US Producer)	33.50c	-0.10
Tin (Kuala Lumpur market)	12.27m	-0.09
Tin (New York)	226.0c	+2.5
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	130.61p	+1.05*
Sheep (live weight)†♣	92.11p	+2.15*
Pigs (live weight)†	73.11p	-2.01*
London daily sugar (raw)	$249.3	+4.4
London daily sugar (white)	$277.5	+6.0
Tate and Lyle export price	£276.0	
Barley (English feed)	£107.0t	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	93.50p	+0.50
Rubber (Oct)♥	60.00p	+0.50
Rubber (KL RSS No 1 Jul)	207.5m	-1.0
Coconut oil (Philippines)§	$462.5v	+5.0
Palm Oil (Malaysian)§	$365.0t	
Copra (Philippines)§	$310	
Soyabeans (US)	£209.0	+2.0
Cotton "A" Index	58.40c	-0.40
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – LCE (\$ per tonne)				
White	Close	Previous	High/Low	
Oct	271.00	260.60	271.00	260.00
Dec	268.00	261.50	268.00	260.00
Mar	271.50	265.10	271.50	264.00
May	269.10		269.10	
Aug	273.20		273.20	

White 1603 (251) Paris- White (FFr per tonne): Oct 1561.14

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low	
Sep	18.63	18.76	16.75	16.55
Oct	16.80	16.91	16.85	16.73
Nov	16.91	17.05	17.01	16.89
Dec	17.05	17.20	17.13	17.03
Jan	17.15	17.27	17.18	17.13
Feb	17.24	17.28	17.24	
Mar	17.33	17.38	17.33	
Apr	17.40	17.45	17.40	
May	17.47	17.54	17.47	
IPE Index	18.61	16.78		

Turnover 13706 (22436)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low	
Aug	157.75	158.25	158.50	157.50
Sep	158.75	159.75	159.75	158.50
Oct	161.00	162.00	162.00	160.75
Nov	163.25	164.00	160.50	163.25
Dec	165.75	166.25	166.00	165.25
Jan	167.00	169.00	167.50	166.50
Mar	165.25	158.75	166.00	165.00
May	163.25	164.25	163.50	

Turnover 11776 (10404) lots of 100 tonnes

JUTE

August/September c and f Dundee BTC $315, BWC $325, BTD $295, BWD $300; c and f Antwerp BTC $305, BWC $305, BTD $280, BWD $280.

COTTON

Liverpool- Spot and shipment sales amounted to 172 tonnes for the week ended July 30, against none in the previous week. Improved demand brought moderate purchases mainly in C.I.S. descriptions. West African growths made some headway.

COCOA – LCE (£/tonne)	Close	Previous	High/Low	
Sep	760	758	761	756
Dec	775	773	778	769
Mar	790	790	793	788
May	800	800	804	798
Jul	809	809	813	810

Turnover: 4482 (4291) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 2 765.12 (755.61) 10 day average for Aug 3 781.51 (762.55)

COFFEE – LCE ($/tonne)	Close	Previous	High/Low	
Sep	1086	1072	1086	1058
Nov	1067	1076	1068	1065
Jan	1079	1070	1080	1059
Mar	1074	1067	1073	1058
May	1075	1069	1069	1064

Turnover: 2169 (5763) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 2 Comp. daily 66.12 (64.36) 15 day average 61.93 (61.47)

POTATOES – LCE (£/tonne)	Close	Previous	High/Low	
Apr	84.2	80.5	84.0	82.5

Turnover 47 (301) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)	Close	Previous	High/Low
Oct	175.00		175.00
Dec	176.00		176.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)	Close	Previous	High/Low	
Aug	1305	1315	1308	1305
Sep	1340	1338	1335	1330
Oct	1383	1393	1385	1380
Nov	1393	1407	1396	1395
Jan	1420	1415	1410	
BFI	1333	1337		

Turnover 77 (22)

GRAINS – LCE (£/tonne)				
Wheat	Close	Previous	High/Low	
Sep	104.75	105.55	105.50	105.00
Nov	108.05	108.60	108.60	100.00
Jan	108.10	108.45	108.10	108.00
Mar	110.00	110.50	110.50	110.00
May	112.15	112.40	112.45	112.25
Barley	Close	Previous	High/Low	
Sep	98.75	100.60	100.25	100.00
Nov	102.15	102.65	100.00	102.25
Jan	104.75	105.40	105.40	104.75
May	108.15		108.00	

Turnover: Wheat 324 (361), Barley 114 (132).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg	Close	Previous	High/Low
Aug	99.3	98.8	99.0
Sep	97.0	07.8	07.0
Nov	102.3	102.3	102.0

Turnover:17 (36)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 57,601 lots	
Cash	1218-9	1207.5-8.5		1213-4		
3 months	1241-1.5	1230-1	1085/1082	1239-8.5	1083-5	238,669 lots
Copper, Grade A ($ per tonne)					Total daily turnover 32,722 lots	
Cash	1946-7	1990-1	1942.5/1942	1841-1.5		
3 months	1948-6.5	1960-1	1962/1940	1942-3	1847-8	221,916 lots
Lead ($ per tonne)					Total daily turnover 3,587 lots	
Cash	390-2	390-1	389.5	389.5-90		
3 months	404.5-5	403.5-4.0	406/402.5	403-3.5	405.5-6	24,356 lots
Nickel ($ per tonne)					Total daily turnover 3,356 lots	
Cash	4900-10	4915-25		4914-5		
3 months	4980-5	4970-80	4980/4950	4965-70	4960-5	45,754 lots
Tin ($ per tonne)					Total daily turnover 1,725 lots	
Cash	4845-55	4840-50	4833	4832-3		
3 months	4900-5	4895-900	4920/4870	4885-7	4925-30	10,714 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 15,445 lots	
Cash	924.5-5.5	925-6	924.5/924	928.5-4		
3 months	941-1.5	938-9	942/935	940-0.5	941-2	72,708 lots

LME Closing £/$ rate: SPOT: 1.5043 3 months: 1.4950 6 months: 1.4875 9 months: 1.4828

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	403.50-403.80	
Opening	406.75-407.25	
Morning fix	404.95	270.287
Afternoon fix	403.75	269.167
Day's high	407.00-407.50	
Day's low	402.00-402.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.64	6 months	2.68
2 months	2.64	12 months	2.70
3 months	2.64		

Silver fix	p/troy oz	US cts equiv
Spot	356.90	537.85
3 months	361.60	541.55
6 months	366.55	548.25
12 months	375.35	555.90

GOLD COINS	$ price	£ equivalent
Krugerrand	407.00-410.00	271.00-274.00
Maple leaf	414.35-416.90	-
New Sovereign	97.00-100.00	64.00-67.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	59	90	4	14
1200	39	73	9	22
1225	24	57	19	31
Copper (Grade A)	Calls		Puts	
1900	79	102	20	65
1950	49	77	40	90
2000	27	57	68	119
Coffee	Sep	Nov	Sep	Nov
1050	51	79	15	42
1100	24	54	38	67
1150	9	36	73	99
Cocoa	Sep	Dec	Sep	Dec
725	40	69	5	10
750	23	53	13	28
775	11	39	28	39
Brent Crude	Sep	Oct	Sep	Oct
1700	10	39	45	57
1750	4	21	-	-
1800	4	11	-	-

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Aug	403.4	405.9	405.0	402.9
Sep	405.0	406.8	405.0	405.0
Oct	405.0	408.1	407.2	404.7
Dec	407.8	410.2	409.3	406.7
Feb	409.7	412.3	411.0	409.5
Apr	411.7	414.4	415.8	411.5
Jun	413.8	416.5	415.8	413.7
Aug	415.5	418.7	0	0
Oct	418.1	420.9	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	424.7	423.1	427.5	419.5
Jan	425.8	424.0	427.0	421.0
Apr	426.5	425.0	426.5	422.5
Jul	427.4	425.8	428.0	427.5

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Aug	536.8	544.3	536.0	536.0
Sep	538.5	545.8	542.5	535.5
Oct	540.0	547.3	0	0
Dec	544.0	551.3	548.0	541.0
Jan	544.8	551.9	544.0	544.0
Mar	549.8	556.0	552.0	546.5
May	553.8	561.1	555.5	550.0
Jul	557.5	564.8	560.0	555.0
Sep	561.6	568.9	0	0
Dec	567.8	574.9	569.5	565.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	85.90	87.05	86.80	85.90
Sep	86.35	87.50	87.25	86.25
Oct	86.40	87.55	86.80	86.30
Nov	86.45	87.60	86.45	86.45
Dec	86.50	87.65	87.36	86.40
Jan	86.60	87.75	0	0
Feb	86.70	87.85	0	0
Mar	86.80	88.00	87.50	87.35
Apr	86.85	88.10	0	0
May	86.95	88.20	87.80	87.80

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Sep	17.77	17.97	17.99	17.68
Oct	18.07	18.25	18.28	18.02
Nov	18.29	18.44	18.41	18.23
Dec	18.41	18.57	18.53	18.37
Jan	18.56	18.69	18.60	18.50
Feb	18.63	18.78	0	0
Mar	18.74	18.87	18.75	18.74
Apr	18.80	19.95	18.80	18.80
May	18.87	19.03	18.87	18.87
Jun	19.03	19.10	19.07	18.98

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Sep	50.60	51.16	51.25	50.65
Oct	51.95	52.30	52.25	51.75
Nov	52.85	53.33	53.30	52.95
Dec	54.00	54.35	54.32	53.95
Jan	54.75	55.05	55.00	54.75
Feb	55.00	55.30	55.20	55.05
Mar	54.25	54.50	54.50	54.35
Apr	53.40	53.60	53.60	53.40
May	52.65	52.65	0	0
Jun	52.00	52.20	0	0

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Sep	966	959	973	960
Dec	1007	1000	1013	1001
Mar	1040	1032	1046	1034
May	1058	1050	1064	1068
Jul	1078	1070	0	0
Sep	1098	1090	0	0
Dec	1121	1113	0	0
Mar	1142	1134	1144	1141
May	1160	1152	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Sep	79.25	77.40	79.36	76.80
Dec	81.70	79.85	81.80	78.50
Mar	84.10	82.20	84.20	81.80
May	85.35	83.55	84.05	83.30
Jul	86.75	84.95	0	0
Sep	88.10	86.35	86.40	86.40
Dec	91.00	89.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	10.13	9.56	10.26	9.55
Mar	10.30	9.85	10.30	9.83
May	10.29	9.88	10.36	9.89
Jul	10.22	9.85	10.25	10.00
Oct	10.07	9.93	10.10	9.96

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	58.72	57.69	57.66	58.70
Dec	58.12	59.45	59.40	58.05
Mar	59.47	60.65	60.75	59.40
May	60.12	61.43	61.01	60.16
Jul	60.60	62.05	61.60	60.60
Oct	59.65	60.10	0	0
Dec	60.10	60.45	60.12	60.00

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	118.40	121.05	121.25	118.10
Nov	121.60	124.20	124.30	121.60
Jan	123.00	126.05	126.05	123.00
Mar	124.60	127.50	127.85	124.65
May	126.55	127.60	128.00	128.00
Jul	126.75	128.30	0	0
Sep	124.75	128.30	0	0
Nov	124.75	128.30	0	0
Jan	124.75	126.80	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Aug 3	Aug 2	mnth ago	yr ago
	1660.8	1646.6	1679.8	1540.9
DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 2	Jul 31	mnth ago	yr ago
Spot	128.46	124.98	121.63	116.45
Futures	131.92	151.13	122.41	117.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Aug	706/0	704/4	706/4	702/0
Sep	708/0	705/4	707/4	702/0
Nov	706/0	706/4	706/4	702/4
Jan	706/0	708/6	710/4	706/4
Mar	710/0	711/0	711/4	706/4
May	709/6	710/4	711/4	709/0
Jul	710/2	711/0	712/0	707/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	24.34	24.17	24.37	24.05
Sep	24.44	24.27	24.47	24.15
Oct	24.57	24.42	24.60	24.32
Dec	24.81	24.64	24.85	24.56
Jan	24.86	24.73	24.87	24.66
Mar	24.92	24.86	24.93	24.80
May	24.90	24.85	24.95	24.80
Jul	24.87	24.84	24.80	24.80

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Aug	228.7	230.7	231.0	227.8
Sep	225.2	227.3	227.6	224.8
Oct	223.8	225.1	225.5	223.0
Dec	223.2	224.2	224.4	222.1
Jan	222.0	222.6	223.0	220.8
Mar	220.5	221.0	222.0	219.5
May	217.8	218.2	220.0	217.8
Jul	215.7	216.2	218.0	215.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Sep	241/2	240/0	241/4	239/0
Dec	247/6	246/0	248/0	245/4
Mar	254/6	253/6	256/0	252/4
May	259/6	258/4	259/6	257/6
Jul	261/6	260/4	262/0	259/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Sep	311/4	307/6	313/0	306/4
Dec	319/0	317/0	320/0	315/2
Mar	321/6	320/2	322/6	319/2
May	315/6	315/0	316/0	313/0
Jul	303/0	303/0	304/0	302/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	75.400	75.475	75.725	75.300
Oct	74.775	74.625	74.900	74.650
Dec	75.200	75.075	75.350	75.075
Feb	75.575	75.525	75.725	75.475
Apr	76.575	76.575	76.750	76.550
Jun	73.500	73.350	73.600	73.475

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Aug	50.100	49.625	50.200	49.325
Oct	46.425	46.250	46.475	45.800
Dec	46.775	46.650	46.850	46.300
Feb	46.550	46.400	46.675	46.300
Apr	45.200	45.100	45.300	45.100
Jun	50.100	50.000	50.250	50.100
Jul	49.050	48.900	49.350	48.975

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	46.625	47.150	47.300	46.026
Feb	53.375	53.700	53.750	52.650
Mar	52.960	53.050	53.150	52.150
May	54.200	54.500	54.200	53.750
Jul	54.000	54.000	54.000	53.600

LONDON STOCK EXCHANGE

Rally extends to ninth trading session

By Terry Byland, UK Stock Market Editor

THE UK stock market managed its ninth consecutive daily advance yesterday, although there were signs that, with the promised interest rate cuts slow to manifest themselves, the longest rally in the Footsie stocks since before the 1987 crash was in danger of faltering. Share prices traced a mixed pattern throughout the session and the closing FT-SE 100 index gain of 3.3 at 2,945.0 was below the day's best.

Equity traders remained convinced that the ERM is on its way to the breaker's yard and that interest rates are about to fall throughout Europe; optimism was enhanced yesterday by an easing in repurchase rates in Germany. However, the calmer trends in the French equity market underlined acceptance by investors that interest rate cuts may not come as soon as the optimists would like. Both Germany and France are likely to resist calls for stringent rate cuts, according to UK equity analysts.

Trading in equities remained high in London, with the Seaq network recording turnover of 799.6m shares against 727.1m on Monday, when retail business, worth £1.37bn, was also good. A trading programme of around £100m was seen in the first half of the session and appeared to reflect a reshaping of an institutional portfolio towards high yielding stocks.

Pressures on second rank issues brought a further peak in the FT-SE Mid 250 Index, which closed 3.1 higher at 3,338.4. Business in non-Footsie issues made up 62 per cent of the total Seaq business, significantly higher than usual.

Support from a firm UK government bond market buttressed underlying confidence that equities have further progress ahead of them, and are only waiting for more solid news on the fate of the ERM and the prospects for interest rates. Dealers reported that UK funds were still moving cash towards the other European equity markets and that the steadiness of the UK market owed a good deal to activity in stock index futures.

Retail and consumer stocks, directly hooked on to hopes of lower base rates, at first extended the gains of the past week but lost heart as the day passed without news of any reductions in key rates in the leading ERM countries.

The international blue chips lacked strength, in spite of a firm performance from Wall Street overnight; early in its new the session, the New York market showed a dip of 3 points on the Dow Average. Oil shares lacked strength as sector specialists continued to weigh up the outlook for crude prices, and the much-battered drug sector remained on the sidelines.

With some analysts now suggesting that Mr Kenneth Clarke, the UK chancellor of the exchequer, may hold back a base rate cut until his autumn budget, the strength of sterling became a discouraging factor for the big export stocks. Indeed, some analysts now fear thata base rate cut is needed to take the upward pressure off sterling.

But the renewal of optimism in the stock market helped banking shares again as National Westminster unveiled its profits statement. The sector made some further recovery from the doubts cast over the past fortnight by warnings from several UK brokerage houses that the recovery in the sector had been overdone, causing individual stocks to look overrated against the market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	7,400	84½	
Abbey National†	2,400	402	+10
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

First Dealings:	Jul 19	Aug 2	Aug 16
Option Declarations:	Jul 29	Aug 12	Sep 2
Last Dealings:	Jul 30	Aug 13	Sep 3
Account Day:	Aug 9	Aug 23	Sep 13

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2945.0 +3.3	3338.4 +3.1	1458.93 +1.68

	Aug 3	Day's change %	Aug 2	Jul 30	Jul 29	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2945.0	+0.1	2941.7	[illegible]	[illegible]	[illegible]	3.90	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3338.4	+0.1	3335.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-A ALL-SHARE	1458.93	+0.1	1457.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Power stocks upset

NEWS that National Power has issued £225m of convertible bonds hit sentiment in the stock and the shares retreated, leading fellow generator PowerGen lower in their wake. However, analysts were quick to point out that the bond issue was barely earnings-dilutive and as a result there were no downgrades forecast from the sector specialists.

Profit-taking was put forward as the main reason for yesterday's share price falls, National Power having closed on Monday at an all-time high of 371p after touching 400p. Yesterday the stock lost 11 to 360p, while PowerGen slipped 7 to 389p.

There were also hints that regulatory issues may become more significant in determining the stocks' rating.

Shares in both groups have been particularly strong since the pool price review from Offer, the industry regulator, last Friday which deferred any decision on price controls until the autumn.

However, the increasingly terse regulatory tone from Offer may have unnerved some investors, and dealers said yesterday that there were also signs of switching out of the National Power ordinary shares and into the convertible. NatWest Securities was one house raising such issues at its morning meeting, where it reiterated its short-term hold, longer-term underperform recommendation on both generators.

Waters easier

Water issues weakened, dragging down some regional electricity companies with them, as at least two brokers decided that the sector looked overvalued. BZW struck a cautious note in its latest piece of research, advising clients to move "underweight" in the water sector, as it highlighted potential regulatory dangers likely to be thrown up when Ofwat makes its next report in the autumn.

BZW suggests that should the regulator adopt a similar view on capital values to those taken by other regulatory bodies then the water stocks will look expensive. With their recent post-ERM gains, BZW believes they could be around 13 per cent overvalued at current values. Ms Angela Whelan, utilities analyst at BZW, said: "This represents an excellent opportunity to sell into strength and realise profits."

NatWest Securities was also underlining regulatory concerns in retaining its "neutral" stance, suggesting that this month's Ofgas report on British Gas will have direct implications for how Ofwat decides to act on its sector. The broker also said that the sector was looking overbought at its morning meeting. Among those stocks hit, Anglian slipped 5 to 497p, Southern 6 to 525p and Welsh 4 to 584p.

NatWest pleases

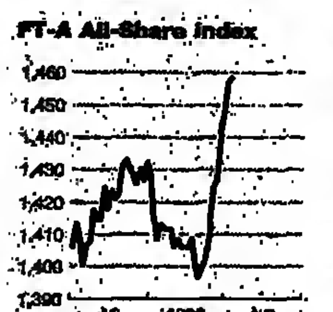
The banking sector moved ahead as interim results from National Westminster, the high street bank, delighted the market and prompted a spate of forecast upgrades from analysts yesterday. NatWest shares jumped 13 to 510p and were among the most actively traded of the day with turnover of 11m.

Headline half-year profits came in at £421m, almost double the figure for the first half of last year and well above most expectations. Most of the rise was the result of the first fall in provisions for bad debts in three years. Analysts moved end of year forecasts higher with S.G. Warburg raising its estimate by £130m to £980m and Smith New Court moving to £1.1bn from £875m for the year ending in December.

Banking analysts said the 6.4p dividend was better than expected and the capital ratio was good but described the results as mixed. They said the drop in provisions was a one-off bonus and there were doubts over the underlying trading position.

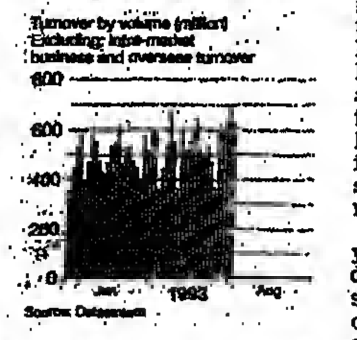
However, the general sentiment over a possible turnaround in the fortunes of the banking sector prompted gains across the board. HSBC, whose subsidiary Midland is reporting today, jumped 14 to 671p in the ordinaries and Barclays, which reports tomorrow moved ahead 13 to 499p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

Reuters in demand

Shares in Reuters Holdings, the international information and news group, forged ahead in hectic trading after good US buying the night before.

Dealers said the company's foreign exchange dealing equipment business was benefiting from the turmoil within the European exchange rate mechanism and the subsequent volatility in European currencies.

There has also been heavy buying from income funds following Reuters' plan to use £350m of its cash pile to buy back 25m shares. Mr Brian Newman of Henderson Crosthwaite said that tax-exempt funds would have shares worth £17.20 each after the tender for the 5.84 per cent stake closed on August 25. Yesterday, the shares closed 18 higher at 1458p on high turnover of 2.8m.

Marketing group Kleeneze Holdings jumped 44 to 226p after a subsidiary said it had launched a battery charger capable of extending ordinary battery life by 10 times.

USM-listed Sherwood Computer Services plummeted 68 to 155p after it said first half 1993 earnings would be substantially lower than the year-earlier half.

Yorkshire Chemicals was one of the worst market performers yesterday, its shares slipping 17 to 338p. The group reported a rise in half-year profits to £6.02m but said recession in Europe was much worse than expected and it did not believe there would be a significant pick-up in global demand this year. Analysts said the profits warning had been flagged but the shares were overvalued.

Life insurer Legal & General gained 7 to 481p as SGST turned buyer of the stock. Analyst Mr Charles Landa said Legal was trading at its net asset value and that the hit from mortgage indemnity losses was slightly less worrying since recent statistics showing that the number of repossessions had fallen.

In a strong leisure sector, yield and recovery buying dominated, with Ladbroke surging 7 to 197p in brisk turnover of over 8m. Rank Organisation also benefited, advancing 14 to 742p. Airtours again basked in the currency fallout, adding 4 at 380p. A big buyer in Compass Group saw the shares climb 16 to 526p.

Profit-takers were out in force in the food retailers, although news of a new price promotion from Tesco did little to help. Although the stock managed a half-penny rise to 214p, others stumbled. J Sainsbury slid 8 to 479p, Kwik Save 8 to 675p and Argyll 2 to 326p.

A combination of yield considerations and recent underperformance spurred BT ordinary shares forward, closing 6 ahead at 434½p in good turnover of 16m. BT partly-paid advanced 5¼ to 180p.

Profit-taking left Cable and Wireless drifting 17 down at 799p and Vodafone 3 down at 482p.

A programme trade helped Courtaulds Textiles rise 6 to 564p with 2.4m changing hands. The announcement of the group's £7m acquisition in the Spanish lace business was not necessarily the driving force, although the group gained 40 per cent of the market share through the move, market analysts said. The upward trend, however, may continue on buying interest in a thin market and market expectations of some big acquisition projects in the latter half of the year.

William Baird continued to ride on Monday's market reaction to its disposal of part of its non-core engineering business and its shares leapt another 8 to 263p.

News International, the international media group, gained 6 to 236p following its successful purchase last week of a £350m stake in Star TV, the Hong Kong-based satellite television system which reaches 38 Asian countries. United News, which has a yield of over 5 per cent, jumped another 10 to 544p on continued hopes of interest rate cuts in Europe.

In the printing sector, St Ives added 6 to 305p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Zhang Tingting.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (294).
BRITISH FUNDS (44) OTHER FIXED INTEREST (6) AMERICANS (2) Pennzoil, Whirlpool, BANKS (8) Banco Santander, Bk. Scotland, Barclays, Dai Ichi, Fuji, HSBC (HK), Mitsubishi, NatWest, BLDG MATLS (9) CRH, Helton, Heywood [illegible]

NEW LOWS (17).
BRITISH FUNDS (2) Exch. 13¼pc '94, Treas. 14½pc '94, AMERICANS (2) Data General, Pall Corp., BUSINESS SERVS (3) Holmes Prtn., RCO, Sherwood Cmptr., CONTG & CONSTRCN (1) McLaughlin & Harvey, ELECTRONICS (1) Domino Prtng., FOOD MANUF (1) Bols Wessanen, HEALTH & HSEHOLD (1) Hafslund Nycomed B, OIL & GAS (3) Alliance Res., Ex. Co Louisiana, Midland & Scott., OTHER INDLS (1) AAF, STORES (1) Lloyds Chems. 7½p Pf., MINES (1) Northern Plat.

FINANCIAL TIMES EQUITY INDICES

	Aug 3	Aug 2	July 30	July 29	July 28	Year ago	*High	*Low
Ordinary share	2330.0	2329.0	2317.8	2307.8	2277.7	1804.0	2330.0	2124.7
Ord. div. yield	3.96	3.97	3.98	4.00	4.05	5.11	4.52	3.96
Earning yld % full	4.71	4.73	4.74	4.76	4.82	7.31	6.39	4.71
P/E ratio net	27.18	27.08	27.00	26.89	26.54	17.25	27.16	19.40
P/E ratio nil	25.09	25.02	24.94	24.84	24.52	18.06	25.09	18.14
Gold Mines	234.2	247.3	249.2	235.8	229.8	86.8	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2330.0 3/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation: high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2328.8	2327.0	2331.0	2323.3	2324.0	2324.7	2325.4	2326.2	2331.0	2332.0	2322.4

Volume	Aug 3	Aug 2	July 30	July 29	July 28	Year ago
SEAQ Bargains	34,220	37,700	41,728	33,145	32,331	17,728
Equity Turnover(£m)†	-	1374.5	1725.0	1707.5	1447.8	988.7
Equity Bargains†	-	42,690	45,885	38,245	39,273	19,753
Shares traded (ml)†	-	825.0	677.8	639.7	594.8	368.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

FOOTSIE futures showed signs of flagging yesterday as the trading range tightened and turnover fell after hopes of an early cut in European interest rates dimmed. However, volatility against the underlying market gave dealers the chance to arbitrage between the two, *writes Peter John*.

On the Liffe, the contract on the Footsie for September delivery opened at 2,957 and looked vulnerable for a while. At one stage it was down to 2,938, only two points above the cash market and below fair value, the premium which compensates for dividends and carrying costs, which is currently at four points.

After a rally of nine consecutive days in the cash market buyers were beginning to be wary, but dealers said they were still attracted by any dips.

The prospect of interest rate cuts in Europe, which will cut debts, encourage spending and narrow the yield differential between bonds and equities has encouraged buying of French, German and UK equities. The buyers have seen futures contracts on the markets as the quickest way in.

The Footsie future was only marginally firmer on balance in late trading with less than 10,000 contracts dealt.

Traded options volume was low with around 29,000 lots dealt. The FT-SE contract was the most heavily traded with Asda topping the list of stock options, followed by RTZ and Ladbroke.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Funding 6pc 1993‡‡		100	—	100¼	99¾	6.00	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
Treas 7pc 2001/17¼PD‡‡		19¾	+⅜	19¾	17⅞	7.05	7.09
Treas 15½pc '98‡‡		137⅝	+½	138⅛	133⅜	11.38	6.90
Exch 12pc 1998		121⅞	+⅛	122⅞	118⅞	9.85	6.96
Treas 9½pc 1999‡‡		112⅛	+½	112⅛	108⅛	8.47	6.77
Exch 12¼pc 1999		123⅞	+⅛	124⅞	120⅛	9.88	7.03
Treas 10½pc 1999		116⅞	+½	117⅞	112⅞	8.99	6.91
Conversion 10¼pc 1999		116½	+½	117⅞	112⅛	8.80	6.94
9pc 2000‡‡		110⅞xd	+⅛	110⅞	105	8.12	6.91
7reas 13pc 2000		130⅞	+⅛	131	125½	9.94	7.26
10pc 2001		115⅞xd	+½	115⅞	109⅞	8.63	7.21
9¾pc 2002		116⅞xd	+⅛	115⅞	108⅞	8.43	7.33

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2017‡‡		110½xd	+¼	110½	[illegible]	[illegible]	[illegible]
Exch 12pc '13-'17		140⅞	+⅛	140⅞	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		50⅞	+⅛	50⅞	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡		44⅞	+½	44⅞	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft.		65	+⅛	65	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft.		38¼	—	38¼	[illegible]	[illegible]	[illegible]
Consols 2½pc		33⅛	+⅛	33⅛	[illegible]	[illegible]	[illegible]
Treas. 2½pc		32⅛	-½	32⅞	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index-Linked

	Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing [illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

CROSSWORD

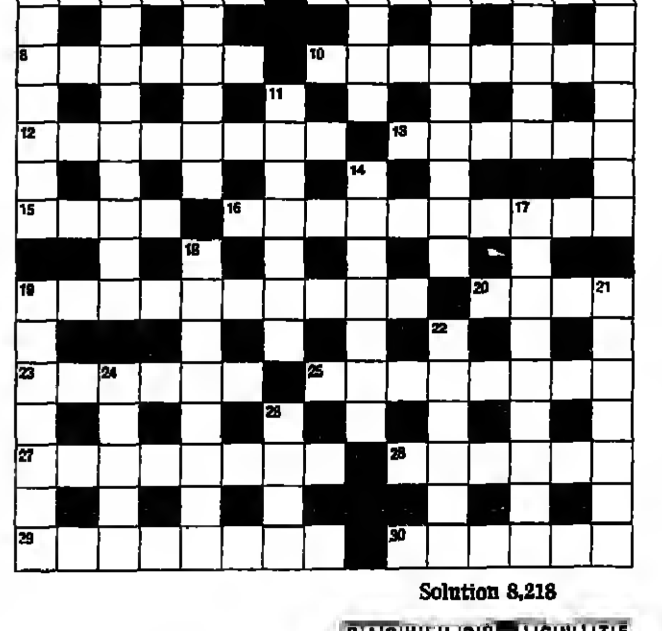
No.8,219 Set by FETTLER

ACROSS

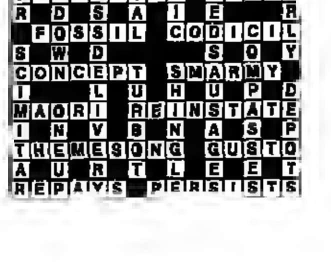
1 Hands on board used to keep things together (8)
4 Welcoming in with six bell accompaniment (8)
9 Economic turnround? Wanting company to provide wages (6)
10 See nasty creep I've followed (8)
12 Girl having little weight – so they say (8)
13 Jazz sestet – a fly lot (6)
15 7 minus 5? The answer's understood (4)
16 A heavy lorry can ungear adroitly, given time (10)
19 A spot in Fleet Street for secondhand goods (4,6)
20 Despot returns in drastic circumstance (4)
23 A bit off a beret apparently (6)
25 The monarch has a retinue. A four line assembly? (8)
27 Horse carries me after start of Epsom classic (8)
28 Non-Hispanic American Greek in Japanese board game (6)
29 Shoots stag from behind, finding part of organ (8)
30 A place for the cock of the walk? (3-3)

DOWN

1 Twists and slides around a right back (7)
2 Once nerve has recovered, have another meeting (9)
3 In a wigwam, pumpkins are used as money (6)
5 Born and died for want of the means of living (4)
6 Cut in clubs has one certain conclusion (8)
7 Oddly, I admit to being backward (5)
8 The least colourful sight in Greek Street (7)
11 Get a hundred and twenty-four sheets (7)
14 Fiery genius making a fuss about nothing (7)
17 A dry salt dye (9)
18 Shortly, is protective – maybe too protective (8)
19 One way to stuff old buffoon (7)
21 Capital managed to continue (7)
22 Succumb to cold? This, shivering averts (6)
24 One who's almost in the swim (5)
26 Make an inspection before all round ban (4)



Solution 8,218



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price $	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		18⅝xd	–¼	25⅛	15⅞	13,913	2.6
Allegheny & W	♥	641p	+17	652p	398p	333.1	2.9
Amdahl		358p	+3	581p	302½p	402.0	0.9
Amer Cyanamid		34⅝	–1	38⅝	31¼	3,121	3.8
Amer Express		22xd	–⅛	22¾	14⅞	10,587	2.9
Amer T & T		42⅞xd	–⅜	43¼	33⅝	56,803	2.8
Ameritech		54¼	–¼	56	45	23,752	4.3
BankAmerica		29⅛xd	–⅜	30⅛	27⅛	10,240	3.0
Bankers NY		52xd	–⅞	62⅝	42⅝	4,173	3.8
Bell Atlantic		39⅝	–1⅛	40⅝	32¼	16,997	4.3
BellSouth		38⅞	–⅜	39⅞	32⅞	19,204	4.5
Bethlehem Steel	♥	8⅞xd	+⅛	13½	8⅞	699.4	–
Bowater		1341pxd	–29	1692p	1287p	485.9	1.9
CPC		27⅜xd	–⅜	34⅝	25	4,069	3.8
California Engy		1232p		1479p	1066p	224.3	–
Chase Manhattan		21⅞xd	–⅛	24½	17⅞	3,326	3.6
Chrysler		39⅝xd		32⅝	21¼	8,675	1.3
Citicorp		22⅞xd		20⅝	13⅞	6,179	–
Colgate-Palm		32⅝xd	–⅞	45⅝	33⅛	6,408	2.7
Cont'l Bank		1699p	–16	1677p	1276p	1,616	2.4
Dana		36⅞xd	–⅞	27⅝	20⅞	1,690	2.6
Data General		541p	–35	851p	541p	149.3	–
Decora Inds	♥	120p		146p	109p	–	–
Dun & Brad		38⅝	–⅛	42⅝	37⅛	7,062	3.9
Eaton	h	30¼	–¼	31⅛	25⅛	2,139	2.2
Echlin		19⅞xd	+⅛	20½	15⅛	1,126	2.3
FPL		28⅛xd	–⅛	27⅝	23¼	4,789	5.9
Ford Motor		36½xd	+⅞	36½	28⅞	17,816	1.7
Bell Elect		66xd	–⅜	67⅛	53⅝	56,368	2.4
General Host	♥	568p	+8	723p	513p	–	4.8
Gillette		34⅞xd	–⅛	43⅝	31⅛	7,595	1.5
Hasbro		28⅝		20⅞	20⅞	1,818	8.7
Honeywell		23½xd	–⅛	28½	30⅞	3,212	2.4
Houston Inds		30⅛	–⅛	33¼	28⅛	3,962	6.1
Ingersoll-Rand		21⅞xd	–⅛	20	19⅝	2,259	2.0
Lockheed		44⅞	–1	45⅞	35⅛	2,722	3.6
Lowe's	h	2514p	–31	2661p	1573p	1,834	0.7
Maxy Technology		176p	+3	203p	127p	–	–

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†□	210	-2	213	183	2.8	241.1	12.9
Warrants	□	88	-1	39	38	-	-	-
Scot Mortgage	♣□	203	—	203	178	2.5	232.0	12.7
Scot National Inc	♣N□	38	—	66½	33	10.6	-	-
Cap	□	25	—	25	16	-	79.7	68.7
Stepped Pf		157¼	+½	157¼	150¼	4.8	-	-
Zero Div Pf		210	—	238	207	-	-	-
Warrants		2½	—	8	2½	-	-	-
Scot Value	†a□	88	—	88	71	2.6	87.6	-1.0
Sec Alliance	♣†	1520	—	1520	1390	3.0	1690.0	8.8
Second Consld	□	168	—	168	88	-	210.8	20.3
Second Market	♣a	368	—	368	236	0.7	358.5	-2.5
Sec Tst Scot	♣□	88	-1	88	74½	4.8	95.7	1.1
Select Assets	□	148	—	148	108½	3.0	178.0	18.1
Eq Ind Seri		138	—	138	128	3.8	-	-
Eq Ind Serll		138	—	138	128	3.8	-	-
SHIRESCOT	♣aH	138	—	138	128	4.8	129.6	-2.6
Shires	♣N	268	—	268	231	7.8	263.3	-1.6
11pc Cv Ln '03/04		£133	—	£133	£116½	0.3	-	-
Slam Select		131xd	+2	138	97	1.0	158.9	18.8
Warrants		32	+4	38	15	-	-	-
Smaller Cos	□	127	—	127	78	2.6	130.1	-6.7
Warrants		48	—	48	14	-	-	-
Sphere Inc	□	28	—	28	14	14.2	40.0	31.3
Zero Div Pf		90½	+½	90½	80¼	-	-	-
Units		325	—	325	765	-	-	-
Summit		78	—	78	38	2.2	94.3	17.3
TR City of Lon	□	146½	—	148	128	4.1	136.7	-8.4
TR Euro Growth	♣□	118	—	130	78	1.4	117.1	0.3
Pig Sub		61	-1	62	27	6.8	-	-
TR Far East Inc	♣†□	141	+2	148	112	4.0	146.1	3.1
Warrants		43	+½	43	22	-	-	-
TR High Inc		122	+1	122	102	8.1	118.6	-2.4
Sob	□	28	—	31	25	6.6	-	-
TR Pacific	♣□	147	+1½	154	110	8.3	145.1	-1.3
TR Prop	♣□	27¾	-½	28	17	4.1	34.5	19.5
TR Smaller	♣□	177xd	-1	182	145	[illegible]	[illegible]	[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m
Barings 8pc Cm 2nd Pf		105	+1	106½	93	[illegible]
9¼pc Non-Cm Pf		126¼	+1	127½	113	[illegible]
Close Bros	♣†	380	+2	380	250	[illegible]
Hambros	♣□	375	+1	375	243	[illegible]
7½pc Cv Pf		184	—	186	111½	[illegible]
Joseph (L)	♣	340xd	—	383	313	[illegible]
Kleinwort Benson	□	467	+7	467	312	[illegible]
Rea Bros	♣□	41	—	47	39	[illegible]
Schroders	♣h	1118	+25	1118	467½	[illegible]
N/V	h	1015	+17	1016	387½	[illegible]
Singer & Fried	♣□	67	—	79	46	[illegible]
Warburg (SG)	♣N□	765	-5	777	529	[illegible]
8pc Cv Pf		287½	—	288	185	[illegible]
Wintrust	♣	240	—	250	163	[illegible]

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m
ASW	N□	218	+3	233	81	[illegible]
Apollo Metals	†	105	—	129	84	[illegible]
Ash & Lacy	♣	153	+2	178	143	[illegible]
Billiton (J)		256	—	312	129	[illegible]
Brit Steel	N□	111¼	-3	116	54	[illegible]
Cl	□	21	—	28	17	[illegible]
Castings		180	+1	198	160	[illegible]
Chamber & Hill		135	—	145	113	[illegible]
Cohen (A)		325	-10	400	320	[illegible]
Cook (Wm)	□	200	—	258	126	[illegible]
Cooper (F)	♣□	79	-2	77	43	[illegible]
Ferraris	†a	57	—	66	22	[illegible]
Firth (GM)	□	9	+½	16½	8	[illegible]
GBE Intl	†	76	—	72	62	[illegible]
Garton		84	—	98	78	[illegible]

INVESTMENT COMPANIES

MEDIA

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Eurasia Mints	N□	41	+1	42	15	19.8	-
Glencar Expl IE	‡‡	11	—	12	6	2.03	-
Greenwich Res	♣□	17½	-¼	22¼	5	13.6	-
Hemlo Gold C$		£8¼	+¼	£8¼	£3½	786.2	1.1
Ivernia West IE	‡‡□	43	—	57	31	21.6	-
Kella Mints IE	‡‡	12	—	13	8	0.29	-
Kenmare	♣□	8½	—	13½	6	8.51	-
Melinga Res		12	—	25½	16	1.32	-
Navan Res IE	♣	87½	-5½	100	25	14.9	-
5pc Ln Notes		86½	—	94¾	25	15.6	-
Oryx Gold		76¾	—	76¾	47	-	-
‡‡Ovoca Res IE		7½	—	7½	3½	0.52	-
RTZ	♣N□	691	+1	709	607	7,138	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1335 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3012. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

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An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

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AUTHORISED UNIT TRUSTS

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062-082 5667

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
MW Joint Investors	0	1190.0	1190.0	1231.3	...	3.6

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Maldon General	6	126.9	126.9	169.9	...	4.44

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings:0438-747414

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Growth Units	5¼	169.0	170.6	182.5	+0.4	2.48
Gilt & Fxd Int	5	180.6	180.6	190.2	+0.8	8.97
Inc Growth	5¼	203.0	203.0	217.1	-0.9	0.16
North American ♥	5¼	163.1	163.1xd	174.4	-1.4	0.31
Far East	5¼	199.3	200.3xd	214.8	+2.0	0.95
UK Smaller Cos	5¼	137.8	160.5	140.7	+0.8	1.96
European	5¼	65.79	65.79xd	70.44	+0.80	0.16
Japanese Growth	5¼	49.73	49.77	52.88	-0.38	0.00
Managed P'folio	5¼	63.87	63.87	68.31	...	1.60
High Income	5¼	177.2	177.7	190.1	+1.1	4.13

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 310 Chester X, CH99 9QQ 0244 680066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
M & S Inc P'folio	6½	138.6	138.7xd	1UK4	-0.40	2.01
Do Accum	6½	156.4	156.6xd	167.5	-0.44	2.01
UK Sel P'folio	5½	116.1	116.7	124.8	-0.72	2.49
Do Accum	6½	131.2	131.9	141.0	-0.72	2.49

Marlborough Fund Managers Ltd (1630)F
07 Income Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Managed Tst	6	66.73	66.80	71.06	...	3.80

N&P Unit Trust Management Ltd (1200)F
36 Fountain St, Manchester M2 2AF 061-237 5322

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
N&P UK Growth	5½	67.58	68.30xd	72.67	-0.25	2.68
N&P UK Income	5½	102.60	103.70	110.40	-0.20	3.72
N&P Gilt & Fixed Int	5½	77.16	77.56	82.11	+0.14	5.70
N&P Higher Income	5½	196.80	201.30xd	214.30	-0.10	4.55
N&P Smaller Co's	5½	72.10	72.10	76.80	-2.56	1.70
N&P International	5½	90.82	90.91	96.72	-0.35	1.66

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
NPI American Acc ♥	5½	107.54	107.98	115.46	-0.81	0.00
NPI American Dist ♥	5½	50.60	98.90	105.65	-0.73	0.00
NPI European Acc	5½	91.32	86.87	98.04	+1.26	0.60
NPI European Dist	5½	88.29	88.53	94.66	+1.28	0.50
NPI Far East Acc ♥	5½	154.2	155.2	166.0	-1.00	0.00
NPI Far East Dist ♥	5½	151.9	152.7xd	163.3	-0.90	0.00
NPI Global Care Acc	5½	65.86	66.16	70.70	+0.02	1.62
NPI Global Care Dist	5½	63.86	63.65	68.40	+0.02	1.62
NPI O'seas Acc	5½	1172.4	1175.2	1256.9	-7.00	0.50
NPI O'seas Dist	5½	904.3	906.5	969.5	-5.60	0.50
NPI UK Acc	5½	599.8	601.9	643.7	-2.40	2.46
NPI UK Dist	5½	374.7	315.7	337.7	-1.20	2.46
NPI UK Extra Inc Acc	5½	74.78	75.16	80.41	-0.07	4.16
NPI UK Extra Inc Dist	5½	70.15	70.52	75.42	-0.07	4.16
NPI UK Spec Opp Acc	5½	82.24	82.89	88.66	+0.08	2.33
NPI W'wide Acc	5½	94.14	94.14	100.68	-0.03	0.00
NPI W'wide Dist	5½	90.20	90.30	96.47	-0.80	0.00
NPI W'wide Inc Acc	5½	63.61	63.98	68.44	-0.16	2.34
NPI W'wide Inc Dist	5½	61.57	61.94	66.25	-0.16	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ

State Street Unit Trust Mgmt Ltd (1400)F
38 King Street, London

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh

Sun Alliance Unit Tst Mgmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)F

Sun Life Trust Mngmt Ltd (1200)H

Dufton Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Managers Ltd (1200)F

UBS Scotland Inv Mngrs Ltd (1200)F

Waverley Unit Tst Mngt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0800)F

Woolwich Unit Trust Managers Ltd (1700)H

INVESCO Asset Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ — 071-588 1815

*Available only to Local Authorities

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

PDFM Unit Managers Ltd

Prudential Asset Management

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Barings Investment Mngmt Ltd

CAF – Charity Money Management

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fd

Charity Fund Int Fd/Charity Equity Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Access Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LA — 081-680 5000

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannic Life Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

City of Westminster Assurance (z)
PO Box 490, 500 Avebury Blvd, Milton Keynes

Clerical Medical/Fidelity Investments
Narrow Plain, Bristol BS2 0JH

Clerical Medical Investment Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law Life Assurance Society

Family Assurance Society

Citibank Life

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Life

London & Manchester Assurance (z)

M & G Life and M & G Pensions

M & G Life and M & G Pensions - Contd.

MGM Assurance (z)

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NM Life

NPI

National Mutual Life

National Westminster Life Assce Ltd

Norwich Union Insurance Soc.

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd (z)

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co. Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

INSURANCES

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Provident Mutual Life Assc. Assn. - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	570.0	600.0	-0.9	-
Managed Init	401.4	422.5	-0.8	-
Equity Ord	883.3	929.9	-2.5	-
Equity Init	622.2	654.9	-1.9	-
Pen Ind Lkd Gilt Ord	228.4	240.4	+0.5	-
Pen Ind Lkd Gilt Init	169.0	178.0	+0.3	-
Overseas Equity Ord	403.9	425.2	-0.7	-
Overseas Equity Init	284.5	299.5	-0.5	-
Property Ord	295.9	311.5	+0.1	-
Property Init	208.4	210.4	-	-
Fixed Interest Ord	353.9	372.5	+0.2	-
Fixed Interest Init	249.2	262.4	+0.6	-
Deposit Ord	289.7	304.0	-	-
Deposit Init	204.1	214.8	-	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Prubond				
Managed Jul 28	304.8	317.7	-	-

Prudential Corporate Pension Funds
55 King's Road, Reading RG1 3AN 0734 494352

Prudential Managed Funds				
Discretionary Jul 28	£235.23	242.67	+2.86	-
Equity Jul 28	£262.09	271.31	+3.88	-
International Jul 28	£38.95	41.05	+0.59	-
Intl Bond Jul 28	£20.72	20.98	+0.17	-
Fixed Int Jul 28	£126.60	128.31	-0.68	-
Index Linked Jul 28	£92.55	93.89	+0.13	-
Property Jul 28	£111.23	117.34	-	-
Cash Jul 28	£33.70	33.70	+0.03	-
Pru-Linked Retirement Plan				
Managed Jul 28	545.10	567.90	+5.90	-
Cash Jul 28	305.30	318.00	+0.40	-
Prudential Pensions Investment Account				
Pens Mngd	222.70	239.40	+0.40	-
Pens Mngd A	99.70	105.00	-0.30	-
Pens UK Eq	374.20	403.40	-2.00	-
Pens Intl	284.90	308.80	-1.80	-
Pens Global Eqty	126.00	132.70	+0.70	-
Pens Fixed	290.40	305.60	+1.40	-
Pens Index Lk	236.30	249.30	+0.80	-
Pens Property	90.40	95.20	-	-
Pens Cash	199.40	209.90	+0.12	-

Scottish Amicable - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	174.5	183.7	-	-
Managed (Init)	242.7	255.5	-0.20	-
Managed (Acc)	484.5	510.1	-0.40	-
Equity (Init)	273.0	287.4	+0.20	-
Equity (Acc)	545.3	574.0	+0.80	-
Property (Init)	150.7	158.7	-	-
Property (Acc)	301.0	316.8	-	-
International (Init)	245.1	258.7	-1.70	-
International (Acc)	490.7	516.6	-3.30	-
Fixed Interest (Init)	233.8	245.0	-0.30	-
Fixed Interest (Acc)	466.4	491.0	+0.60	-
Cash (Init)	153.6	161.7	-	-
Cash (Acc)	307.2	323.4	+0.10	-
Others				
Capital Guarantee Bond	101.7	107.1	-	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 0101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	233.3	245.0	-1.2	-
UK Equity	220.6	232.1	+0.0	-
International	235.1	247.5	-0.6	-
American	236.7	249.1	-2.4	-
European	218.5	230.0	+1.4	-
Japan	251.2	263.5	-1.0	-
Pacific	329.0	347.0	-0.8	-
Technology	306.0	322.9	-1.8	-
Fixed Interest	175.6	185.1	+0.8	-
Indexed Linked	157.1	165.4	+0.2	-
Foreign Bond/Currency	223.2	234.0	-0.5	-
Cash	173.309	182.825	+0.019	-
Ethical	118.8	125.0	-0.1	-
Pens Mixed	668.9	782.0	-4.1	-
Pens UK Equity	739.3	778.2	-1.4	-
Pens International	737.9	786.2	-3.4	-
Pens American	239.8	252.4	-4.4	-
Pens European	252.6	265.9	-0.3	-
Pens Japan	305.8	321.7	-1.1	-
Pens Pacific	372.0	391.6	-1.8	-
Pens Fixed Interest	351.4	370.2	+0.8	-
Pens Index Linked	194.8	205.1	+0.1	-
Pens Cash	276.418	290.966	+0.030	-
Pens Property	212.11	224.30	-	-
Pens Ethical	152.2	160.2	-	-
Edinburgh Inv	357.8	376.6	-	0
Baillie Gifford Japan	243.1	255.0	+3.4	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank calms the market

The Bundesbank surprised foreign exchange dealers for the third time in seven days yesterday by bringing down the cost of borrowing short term funds in its wholesale money market, *writes James Blitz*.

The Bundesbank may have had a strong domestic reason for taking the move, because the fall in call money would have made the old repo rate of 6.90 per cent too unattractive for banks.

But some dealers suggested that the move may have been intended to help out the other currencies in the exchange rate mechanism, several of which could still come under heavy selling pressure now that their old floors have been removed.

The French franc yesterday stabilised against the D-Mark, closing in London at FFr3.455 from a previous FFr3.505.

France's determination not to cut its intervention rate yet has settled the market. But there is little reason for a cut in the intervention rate, while 3-month interest rates remain nearly 2 percentage points above the intervention level.

Dealers said such huge quantities of French funds were removed from the market during last Friday's intervention, that the Bank of France had to add liquidity before a rate cut became meaningful.

Denmark and Belgium continued to take more active measures to support their currencies' D-Mark parity, ignoring all thought of easing monetary policy.

The Belgian franc was the victim of a modest attack of selling, falling to a new low of BFr21.6424 to the D-Mark. Again, the Belgian central bank intervened in the market to help the currency back to a close of BFr21.33. The amount of intervention was described by one dealer as being comparatively modest.

The Danish krone appreciated sharply, closing at DKr3.9750 against the D-Mark, having been as low as DKr4.0467 at one stage. But this was at the cost of Monday's hike in 1 month krone to 25 per cent, which yesterday had overnight borrowing at 250 per cent.

Spain, however, showed yesterday that a cut in interest rates can help the currency to appreciate because dealers are prepared to put a higher premium on economic growth than interest rate returns.

The Bank of Spain cut its repo rate from 11 per cent to 10½ per cent, which led to a sharp rally in the peseta from Pta83.17 to a close of Pta81.48 in London.

Sterling was mostly unmoved by yesterday's events, closing up 1 pfennig against the D-Mark at DM2.5650. However, the dollar continued to fall sharply, closing down more than a pfennig on the day at DM1.7050.

Dealers speculated that the pressure on the dollar may result from selling of the currency by central banks which will need to repay the Bundesbank with D-Marks for its help with intervention.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.16680	-1.36	4.59	-
D-Mark	1.94964	1.92533	-1.25	4.47	-
Irish Punt	0.808628	0.800633	-0.99	4.20	?
Portuguese Escudo	192.854	196.777	2.03	1.11	-14
Belgian Franc	40.2123	41.1920	2.41	0.74	-16
Spanish Peseta	154.250	158.056	2.47	0.69	-17
French Franc	6.53883	6.73836	3.05	0.11	-26
Danish Krone	7.43679	7.67252	3.17	0.00	-22

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Aug 3	Latest	Previous Close
£ Spot	1.5030-1.5032	1.5015-1.5025
1 month	0.31-0.35pm	0.33-0.37pm
3 months	0.96-0.94pm	0.95-0.90pm
12 months	2.56-2.46pm	2.57-2.47pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 3	Previous
8.30 am	81.7	81.4
9.00 am	81.7	81.7
10.00 am	81.5	81.6
11.00 am	81.6	81.7
Noon	81.9	81.7
1.00 pm	81.9	81.7
2.00 pm	81.9	81.5
3.00 pm	81.9	81.5
4.00 pm	81.9	81.4

CURRENCY RATES

Aug 3	Bank & rate %	Special Drawing Rights *	European Currency Unit
Sterling	-	[illegible]	0.756343
US Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	N/A	[illegible]
Austrian Sch	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	41.1920
Danish Krone	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	-	[illegible]	[illegible]
Spanish Peseta	-	[illegible]	[illegible]
Swedish Krona	11.50	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach	19	N/A	269.020
Irish Punt	-	N/A	0.800633

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Aug 2

CURRENCY MOVEMENTS

Aug 3	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.8	-29.02
U.S. Dollar	66.6	-12.00
Canadian Dollar	93.4	-8.16
Austrian Schilling	113.6	+15.71
Belgian Franc	110.7	-3.16
Danish Krone	113.3	+7.92
D-Mark	123.0	+21.39
Swiss Franc	113.2	+22.96
Dutch Guilder	118.2	+20.96
French Franc	105.2	-10.3
Lira	80.3	-34.02
Yen	187.3	+129.59
Peseta	95.2	-35.60

Morgan Guaranty changes average 1980-1982=100. Bank of England (Base Average 1985=100). **Rates are for Aug 2

OTHER CURRENCIES

Aug 3	£	$
Argentina	1.5030 - 1.5045	0.9990 - 1.0000
Australia	2.1765 - 2.1785	1.4495 - 1.4505
Brazil	109.820 - 109.825	72.995 - 73.000
Finland	8.6930 - 8.7745	5.8175 - 5.8375
Greece	353.900 - 361.100	236.550 - 241.350
Hong Kong	11.6495 - 11.6620	7.7530 - 7.7540
Iran	2345.00 - 2395.00	1550.00 - 1590.00
Korea(Sth)	1199.55 - 1218.90	803.50 - 809.90
Kuwait	0.44500 - 0.44600	0.30150 - 0.30200
Luxembourg	54.65 - 54.75	36.30 - 36.40
Malaysia	3.8475 - 3.8550	2.5600 - 2.5610
Mexico	4.6820 - 4.6850	3.1120 - 3.1140
N.Zealand	2.7225 - 2.7256	1.8095 - 1.8115
Saudi Ar	5.6315 - 5.6430	3.7495 - 3.7505
Singapore	2.4250 - 2.4315	1.6140 - 1.6150
S.Af (Cm)	5.0305 - 5.0415	3.3500 - 3.3515
S.Af (Fn)	6.7705 - 6.7855	4.5000 - 4.5100
Taiwan	40.45 - 40.60	26.90 - 27.00
U.A.E.	5.5060 - 5.5185	3.6715 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

Aug 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4940 - 1.5095	1.5040 - 1.5050	0.38-0.36cpm	2.95	0.97-0.94pm	2.54
Canada	1.9270 - 1.9470	1.9360 - 1.9390	0.36-0.30cpm	2.04	0.85-0.76pm	1.66
Netherlands	2.8770 - 2.9200	2.8800 - 2.8900	⅛-¼cdis	-1.04	¼-1⅛dis	-0.52
Belgium	54.55 - 55.45	54.65 - 54.75	13-23cdis	-3.95	21-33dis	-1.97
Denmark	10.1150 - 10.3545	10.1725 - 10.1825	10-21oredis	-18.26	17-28dis	-8.85
Ireland	1.0625 - 1.0715	1.0675 - 1.0685	0.01-0.05cdis	-0.34	0.06-0.10dis	-0.30
Germany	2.5630 - 2.5700	2.5625 - 2.5675	⅛-⅜pfdis	-1.46	½-⅞dis	-0.97
Portugal	258.00 - 266.95	260.50 - 261.50	145-276cdis	-9.68	379-579dis	-7.34
Spain	207.40 - 213.00	208.85 - 209.15	97-137cdis	-6.73	250-301dis	-5.21
Italy	2392.40 - 2410.25	2401.50 - 2402.50	7-9liredis	-4.00	19-22dis	-3.41
Norway	11.0395 - 11.1165	11.0950 - 11.1050	⅛-⅝oredis	-0.68	¼-⅞dis	-0.28
France	8.9030 - 8.9960	8.9350 - 8.9420	2¼-3½cdis	-3.61	3⅜-5dis	-1.96
Sweden	12.0395 - 12.0920	12.0650 - 12.0750	3-3¾oredis	-2.61	5¾-7dis	-2.05
Japan	156.30 - 157.50	156.50 - 157.50	⅝-⅜ypm	3.34	1⅛-1pm	2.71
Austria	17.99 - 18.18	18.02 - 18.05	1⅜-2¾grodis	-1.41	3¼-5⅞dis	-1.07
Switzerland	2.2370 - 2.2650	2.2560 - 2.2650	⅜-¼cpm	1.34	⅝-½pm	0.93
Ecu	1.3385 - 1.3550	1.3415 - 1.3425	0.23-0.28cdis	-2.32	0.45-0.51dis	-1.43

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.64-1.59pm. 12 Month 2.52-2.42pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4940 - 1.5095	1.5040 - 1.5050	0.38-0.36cpm	2.95	0.97-0.94pm	2.54
Ireland†	1.4050 - 1.4155	1.4080 - 1.4090	0.39-0.36cpm	3.19	0.99-0.95pm	2.75
Canada	1.2880 - 1.2925	1.2915 - 1.2925	0.09-0.11cdis	-0.93	0.26-0.30dis	-0.87
Netherlands	1.9125 - 1.9295	1.9170 - 1.9180	0.58-0.61cdis	-3.72	1.45-1.50dis	-3.08
Belgium	36.25 - 36.75	36.30 - 36.40	19-22cdis	-6.77	39-45dis	-4.62
Denmark	6.7400 - 6.9950	6.7625 - 6.7675	N/A	N/A	N/A	N/A
Germany	1.6980 - 1.7160	1.7045 - 1.7055	0.56-0.57pfdis	-3.93	1.47-1.50dis	-3.48
Portugal	172.40 - 174.60	172.50 - 172.60	136-145cdis	-9.81	365-385dis	-8.69
Spain	138.65 - 142.00	139.00 - 139.10	103-108cdis	-9.10	250-268dis	-7.55
Italy and remaining rows	[illegible]					

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Repo rate is cut

THERE were slightly greater expectations of cuts in German interest rates yesterday after the Bundesbank set a fixed rate repo at 6.80 per cent, only 5 basis points above the discount rate floor, *writes James Blitz*.

The German decision to cut the repo rate from 6.95 per cent to 6.80 per cent is part of its attempt to regain control of German money markets after the huge intervention in support of the franc in recent days.

UK clearing bank base lending rate 6 per cent from January 26, 1993

That intervention may have pushed about DM60bn into the financial system, and the cost of call money consequently fell substantially to about 6.44 per cent yesterday.

Dealers said the Bundesbank had to cut the repo rate because, with call money on offer in the interbank market at these very low levels, few banks would have been attracted to borrow funds from the central bank today at the old price.

The repo rate cut leaves a gap of only 5 basis points between the repo rate and the Bundesbank's interest rate floor, so there is little more room for manoeuvre here unless there is another interest rate cut.

But dealers expected the Bundesbank to drain funds from the money market in today's weekly operation. Dealers expect the Bundesbank to withdraw anything from DM20bn to DM30bn in this week's repo operation.

The cut in the repo rate led Euromark futures dealers to get a little more bullish about rate cuts. The September contract was up 8 basis points on the day at 93.47.

However, in spite of the unravelling of the exchange rate mechanism over the weekend, expectations of interest rate cuts in France and other European countries were slightly dashed. France has still not cut its intervention rate and the September Pibor contract was down 15 basis points yesterday, to close at 93.94.

Sterling interest rate futures were softer yesterday, partly in the wake of a good figure for M0 money supply which was up by a greater amount than expected. The September contract was down 5 basis points to close at 94.33.

Three month sterling cash was unchanged at 5¾ per cent yesterday. But rate cut speculation made the removal of a £1.2bn shortage difficult. The overnight rate was up at 13 per cent at one stage, with £675m of late assistance.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

WORLD STOCK MARKETS

CANADA

INDICES

	Jul 30	Jul 23	Jul 16	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.93	2.85	3.07
	Jul 28	Jul 21	Jul 14	year ago (approx.)
S & P Industrial div. yield	2.59	2.55	2.52	2.68
S & P Indl. P/E ratio	25.06	25.09	25.37	29.50

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Merck	2,600,100	30¾	+ ⅛
Gen Motors	2,351,500	49⅝	+ 1⅛
Student Loan	1,994,600	40⅛	+ 1⅝
Chrysler	1,926,600	44⅝	+ ½
YPF Sociedad	1,664,300	20½	+ ¼
Bristol Myers	1,625,800	53¾	- ⅞
Citicorp	1,613,400	33½	+ ⅝
Ford Motor	1,538,000	54⅝	+ 1¾
Telefonos	1,464,400	51⅛	+ 1
Jnson & Jnson	1,394,100	37¾	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Aug 2	July 30	July 29
New York SE	229.891	250.381	260.796
Amex	15.786	18.693	17.968
NASDAQ	(u)	256.704	279.195
NYSE			
Issues Traded	2,574	2,569	2,950
Rises	1,200	921	1,237
Falls	748	1,010	730
Unchanged	626	638	623
New Highs	154	96	119
New Lows	37	38	36

CANADA TORONTO

	Aug 2	July 30	July 29	July 28	1993 HIGH	1993 LOW
Metals & Minerals	(c)	2932.49	2916.27	2920.84	3020.48 (2/7)	2743.31 (21/1)
Composite	(c)	3967.20	3957.55	3923.10	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1894.10	1888.98	1886.39	1879.54	1939.10 (25/6)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD				
M.S. Capital Int.(1/1/70) $	582.4*	579.2	578.0	
Euro Top-100 (26/6/90)	1086.19	1085.56	1086.17	

**Saturday July 31 Taiwan Weighted Price: 3960.38, Korea Comp Ex: 739.94. ♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., ... 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary ...

TOKYO - Most Active Stocks

Tuesday, August 3, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	4.9m	75	+2	Kaken Pharm	2.9m	1,610	+10
Nippon Express	4.8m	1,070	+20	Nagase & Co	2.7m	1,200	-30
Nippon Steel	3.1m	357	-8	Nomura Sec	2.5m	2,090	+20
JACCS	3.2m	1,250	+20	Kawasaki Steel	2.5m	338	-5
Mitsui Min & Sml	3.0m	546	-10	Rhythm Watch	2.3m	548	+10

4 pm close August 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14⅝	11½	AAR Corp	0.40	3.6	675	388	13⅞	13½	13½	
29⅜	13¾	A L Labs A	0.19	1.1	28	3164	16⅞	15¾	16⅜	-⅛
84¼	54⅝	AMP Inc	1.60	2.5	22	4125	u64¾	64¼	64⅝	-⅛
72¾	55½	AMR			18	3100	65½	64½	64¾	-¼
2¾	1⅜	ARX			15	68	2½	2⅜	2½	
51½	29⅞	ASA	2.60	4.1	32	441	48⅞	48¼	48½	-⅞
30¾	22⅝	Abbott Lab	0.68	2.7	15	8732	25⅛	24⅝	25	
12⅝	9⅞	Abitibi Pr	0.50	4.9	4	14	10¼	10¼	10¼	+⅛
14¼	8¼	Acgmcolm			231	52	13⅞	13¾	13⅞	
32	25½	ACE Ltd	0.40	1.4		218	28⅝	28⅛	28½	+½
12	10¾	ACM Gvt In	0.96	8.3		114	11½	11⅜	11½	
10	9⅛	ACM GvOpp	0.60	6.1		194	u10	9⅞	9⅞	-⅛
9⅞	8¾	ACM Gvt Sp x	0.80	8.4		767	9⅝	9½	9½	
11⅝	10½	ACM Gvt Se x	0.96	6.5		304	11¼	11	11¼	
11⅜	9⅝	ACM Mun	1.08	9.6		88	11⅜	11⅛	11¼	
9⅜	8⅝	ACM Managd	0.72	7.8		133	9¼	9⅛	9¼	-⅛
12⅜	7¾	Acme Clevo	0.44	4.1	14	251	10⅞	10⅝	10⅝	-⅜
9¼	6½	Acme Elect			254	7	7⅝	7⅝	7⅝	
24¾	18⅜	Acordia	0.44	1.6	14	104	24½	24⅛	24½	
18	10⅜	Acuson			33	08	12¾	12⅝	12⅝	
22¼	19⅝	Adams Expr	0.48	2.3	1	191	20⅞	20½	20⅝	-¼
88	46½	Ad Micro	3.00	5.4		41	55⅛	55	55¼	-⅛
32¾	17⅝	Ad Micro P	3.00	12.0	9	4867	25⅛	24⅝	25	-⅜
7¾	5½	Advest Grp	0.16	2.8	10	10	5¾	5¾	5¾	-⅛
24¾	16¼	Advo Inc	0.60	0.5	18	363	17	d16⅝	16⅝	-⅜
49⅛	41⅛	Aegon ADR	2.95	6.4	9	70	46¼	45⅞	46¼	+⅜
60	43⅝	Aetna Lf	2.76	4.8	152	2907	59¼	58⅝	59⅛	+½
14½	11½	Afil A	0.28	1.8	30	3432	14¼	14⅛	14¼	
32¼	26⅜	Aflac	0.40	1.3	15	1742	30	29⅝	30	+⅛
22⅛	16¼	Ahmanson	0.88	4.5	23	3199	19¾	19⅝	19⅝	-⅛
7¾	4	Aileen Inc			7	384	5	4¾	5	+¼
48½	37½	Air Pr Chm	0.92	2.3	18	880	40⅞	40½	40⅞	
26½	18⅛	Airbne Frt	0.30	1.4	27	1545	20¾	20⅝	20¾	

4 pm close August 3

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22	15½	S Anita Rt	1.36	7.7	17	155	17¾	17⅝	17⅝	-⅛
20¾	15¾	SCOR US Cp	0.32	2.0	203	63	16½	16⅜	16¼	-⅛
29¾	20	SPS Techno	1.28	4.5	21	21	29	28¾	28¾	-⅛
14½	12⅞	Sabine Rt	1.77	13.1	10	46	13½	13½	13½	-⅛
13¾	8⅞	Safecard	0.20	1.5	15	12	13⅛	13⅛	13⅛	+⅛
23½	16⅞	Safeg'd Sc			9	39	19½	19¼	19⅜	
24⅞	15¾	SafetyKln	0.36	2.3	24	549	16	15¾	15¾	
17⅞	10⅞	Safeway			28	4410	u18⅛	17¾	18⅛	+½
4	2	SafewayWDS				942	u4	3⅞	3⅞	+⅛
44½	37½	StJoePaper	0.20	0.5	103	14	43½	43⅛	43⅛	-⅛
37¾	31	StJosL&P	1.76	4.6	15	13	37	36½	37	+½
87	75	St Paul's	2.80	3.2	15	671	u87⅞	86½	87⅞	+1½
11⅞	7⅞	Salant Cp			6	10	10⅛	10⅛	10⅛	-¼
79¼	39⅞	Sallie Mae	1.20	2.5	18	4902	49⅝	48¾	48⅞	-¼
13⅞	13	Salomon Br x	0.32	2.4		806	13½	13⅜	13½	
41⅞	34	SalomonInc	0.64	1.6	16	2856	41½	40⅝	41½	+¾
26⅞	23¼	SanDgo G&E	1.48	5.5	14	510	26¾	26⅝	26¾	
4⅝	3½	SantaFeEDu	0.40	10.7	147	63	3⅞	3¾	3¾	-⅛
11⅞	8⅛	SantaFeEPs	0.16	1.6	102	1169	10⅛	9⅞	10⅛	+⅛
40¼	35¾	SantaFePac	2.80	7.2	13	53	38¾	38⅛	38¾	+⅝
18¾	12¾	SantaFPac	0.10	0.5	12	3580	u18⅞	18⅜	18⅝	
31⅛	22⅛	Sara Lee	0.68	2.6	18	3498	23⅜	22½	22⅞	-¾
49	40⅛	Scana Corp	2.74	5.6	15	214	48¾	48⅝	48⅝	-⅛
24⅞	21½	Scecorp	1.42	5.8	15	2740	24½	24⅜	24½	
38⅞	28⅞	ScherarRP			28	293	29	28¼	28¼	-⅝
70⅞	51¾	ScheringPl	1.60	2.6	16	5720	63	61¾	61⅞	
68⅞	55⅞	Schl'berger	1.20	1.8	24	2744	64	63⅛	63⅝	-½
29¾	16½	Schwab(C)	0.20	0.7	16	370	29	28⅝	28⅝	-½
7¼	5⅝	Schweizer			30	75	7⅛	7⅛	7⅛	-⅛

- T -

- U -

- V -

- W -

- X - Y - Z -

y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close August 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Numac O&G		66	42	6	5⅞	6	+⅛
NV Ryan		5	690	7/16	⅜	7/16	+1/16
Odetics A		147	28	9	8⅞	8⅞	-⅛
Olsten	0.24	20	1522	26⅛	25¾	26⅛	+⅛
Pegasus G	0.10	75	2114	28	27¾	27⅞	+¼
Pentrl	0.80	2	96	11	d10¾	10⅞	-¾
Pet HG&P	1.88	11	10	20	19¾	19¾	
Phil LD	0.23	11	521	41⅞	41	41⅛	-⅞
Pittway A	0.60	13	10	25¾	25¾	25¾	+¼
Ply Gem	0.12	18	357	12½	12¼	12½	+¼
PMC	0.80	17	107	13⅝	13½	13⅝	+⅛
PresidioA	0.16	1	637	1⅛	1⅛	1⅛	-1/16
RaganBrad		34	z100	20	20	20	
RB&W Co		3	100	6½	6½	6½	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bowne	0.30	11	220	19¾	19⅝	19¾	+⅛
Brascan A x	1.04	17	465	10½	10¼	10⅜	
Cal Engy		19	272	19	17¾	18	+⅛
Calprop		6	15	¾	1/16	¾	
Cambrex	0.20	14	26	d21¼	21	21⅛	-⅛
Can Marc	0.28	15	160	12	12	12	
Chmbrs A	0.01	5	325	4⅜	4½	4⅜	-⅛
Chambers		9	z100	4⅝	4⅝	4⅝	-⅛

NASDAQ NATIONAL MARKET

4 pm close August 3

AMERICA

Dow trades in narrow range at midsession

Wall Street

US share prices traded in a narrow range yesterday morning as lower bond yields and disappointing economic news pulled market sentiment in two different directions, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 0.56 at 3,560.43. The more broadly based Standard & Poor's 500 was 0.65 lower at 449.50, while the Amex composite eased 0.56 to 437.30 and the Nasdaq composite gained 1.52 at 709.18. NYSE trading volume was 155m shares by 1pm.

After Monday's strong start, consolidation was the order of the day on stock markets. The morning's economic news was bearish in tone - a 0.1 per cent increase in the June index of leading economic indicators was weaker than expected, and suggested, like most recent data, that the economy is growing, but at an unusually modest rate for normal post-recessionary periods.

While the leading indicators report deflated investor sentiment, there was some good news from the fixed-income market, where brightened prospects for the successful approval of President Bill Clinton's deficit-reduction budget package provided a sharp lift to government bond prices. By early afternoon the benchmark 30-year issue was up half a point, and the yield was down to almost exactly 6.5 per cent, close to the lowest level in the bond's history.

Among individual stocks, Unisys firmed $⅛ to $10⅝ in volume of 1.7m shares after the company had joined forces with Intel, the microchip manufacturer, to develop parallel processing computers.

Intel, traded on the Nasdaq market, rose $⅞ to $53⅞ in volume of 1.2m shares.

UAL dropped $1⅞ to $141⅞ after Lehman Brothers, the investment bank, lowered its rating on the airline stock from "outperform" to "buy", citing price reasons.

Airline stocks have been strong performers lately because of the drop in oil prices, and some analysts believe the sector may have been overbought.

Selected cyclical stocks were in demand, including Alcoa, up $1⅞ at $73⅞, International Paper, $⅞ firmer at $64⅞, and Caterpillar, up $1⅛ at $79⅛.

Chiquita Brands eased $⅞ to $12 as investors reacted to the news from late on Monday that the company is cutting its quarterly cash divided from 17 cents a share to 5 cents a share in an effort to strengthen its balance sheet.

On the Nasdaq market, Apple Computer rose $⅞ to 429 in volume of 1.1m shares after the company announced that it is cutting prices of its Apple PowerBook duo line and several other products.

Other technology stocks were also firmer, including new issue Actel, which debuted at $9¼, and by early afternoon was trading at $12¾ in volume of 3.1m shares.

Canada

TORONTO firmed in early dealings, led by strong industrial products, base metals and utilities shares. The TSE 300 index was up 8.85 at 3,976.03 at midsession in turnover of C$223m. Northern Telecom began another tentative move towards recovery, rising C$1⅛ to C$31⅞.

SOUTH AFRICA

GOLD shares closed lower in light profit-taking while investors waited cautiously for the bullion price to break out of its current narrow trading range. The gold index lost 47 to 2,024, industrials 10 to 4,601 and the overall 39 to 4,124.

EUROPE

DAX rises 1.6% after cut in repo rate

ACTIVITY was less intense yesterday, *writes Our Markets Staff.*

FRANKFURT, encouraged by an unexpected cut in the repo rate to 6.80 per cent, gathered momentum, the DAX index closing up 28.35 or 1.6 per cent at 1,843.43. Turnover was DM8bn.

Investors are beginning to look at export-sensitive stocks which would be affected by a round of Europe-wide interest rate cuts. However, hopes for lower domestic rates kept the chemical sector, for instance, in positive mood yesterday: Bayer gained DM3.70 to DM284.40, Basf rose DM5.80 to DM256 and Hoechst, a dollar play, DM2.50 to DM273.

Volkswagen put on another DM7 to DM355.50, although its public argument with Opel continues afresh, and BMW DM11.50 to 467.50. Allianz, strong on Monday, was even firmer yesterday, rising DM75 to DM2,390. Bayerische Vereinsbank's rise in first half profits lifted the shares DM11.50 to DM467.50.

PARIS eased slightly on profit-taking after the heady activity of the last few days. The CAC-40 index closed down 18.45 at 2,110.58. Turnover dropped to FFr4.6bn.

Axa rose FFr23 to FFr1,503 while UAP fell FFr18 to FFr606. Elf Aquitaine slipped FFr4.90 to FFr436.70, while Total gained FFr8.60 or 2.8 per cent to FFr314.

Canal Plus, subject to downgrades, lost FFr19 to FFr1,211 and CarnaudMetalbox eased FFr5.90 to FFr220.10 on lower first half sales.

Strong gains in Polygram and Akzo helped AMSTERDAM rise 2.1 or 1.7 per cent in the CBS Tendency index to 122.9.

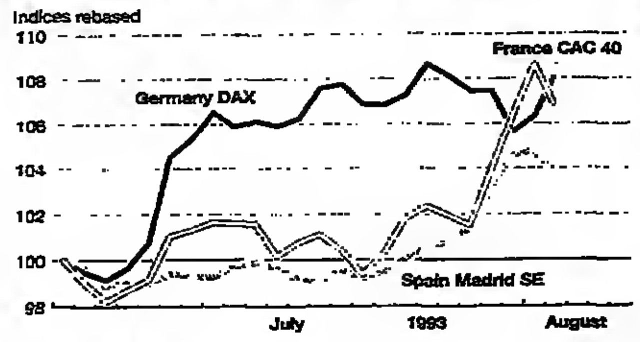
Polygram gained Fl 3.60 or 6.4 per cent to Fl 59.50 on results, news that it was to acquire Motown records and the decision to issue up to 10m new shares, thereby diluting Philips' stake to 75 per cent from 79.4 per cent. Philips rose Fl 1.50 or 4.8 per cent to Fl 32.60.

MILAN continued to test its highs for the year and the Comit index rose 3.70 to 576.51.

Opening firmly on hopes for lower interest rates, the market received a subsequent boost from an announcement that the government had dropped its last price controls on bread, milk, cement and fertilisers. Unicem, the cement group added L450 to fix at L7,900 before L8,000 on the kerb, up 7.4 per cent on the day, while Parmalat, the dairy products group added L100 to L1,838.

Sip advanced L130 to L3,105 while Stet added L83 to L4,123 on continued strong foreign demand. Olivetti rose L51 or 2.8 per cent to L1,799 and CIR, its parent, added L66 or 4.9 per cent to L1,400 on renewed market speculation of possible benefits from the reorganisation of the Italian telecoms sector.

Market movements and the ERM turmoil



Source: FT Graphite

FT-SE Actuaries Share Indices								THE EUROPEAN SERIES
August 3								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1250.91	1250.84	1259.00	1260.76	1261.38	1251.57	1261.71	1261.48
FT-SE Eurotrack 200	1344.60	1342.69	1339.40	1344.73	1341.56	1342.89	1338.73	1341.58
	Aug 2	Jul 30	Jul 29	Jul 28	Jul 27			
FT-SE Eurotrack 100	1252.49	1253.91	1242.42	1238.35	1238.65			
FT-SE Eurotrack 200	1347.49	1343.59	1308.99	1297.56	1297.42			

Base value 1000 (26/10/90) [illegible]

ZURICH rose to an all time high supported by expectations of lower rates. The SMI index rose 30.2 or 1.3 per cent to 2,430.5.

Insurers were in demand on the view that they have lagged the market. Winterthur rose SFr30 or 4.6 per cent to SFr 678.

Cyclicals were strong, with some investors already looking ahead to earning potential for 1995-96. Ciba-Geigy bearers advanced SFr11 to SFr740 and Holderbank was SFr24 ahead at SFr775.

MADRID recovered early losses in late trade but profit-taking proved more persuasive than an early half point cut in the monthly market rate. The general index shed 1.63 to 271.11.

BRUSSELS saw some index-linked late buying help the market up from its lows after profit-taking had erased some of the sharp gains of the previous two sessions. The Bel-20 index dipped 2.17 to 1,342.46 after a day's low of 1,333.93.

Glaverbel shed BFr110 or 2.9 per cent to BFr3,690 while SGB fell BFr50 to BFr2,640.

DUBLIN, closed for a public holiday on Monday, caught up with the weekend's events yesterday. The ISEQ index rose 36.39 or 2.2 per cent to 1,684.03, with financial stocks taking the lead, on the view that the outlook for the economy and exports would be enhanced by recent developments.

VIENNA surged 3.1 per cent on renewed hopes of a cut in interest rates and the ATX index gained 30.75 to 981.75, its highest close this year.

HELSINKI's HEX index was boosted by falling interest rates, closing at 1,319.52 up 7.85 while NORWAY's All Share index lost 6.96 to 572.81 with Bergesen B shares off NKr2 at NKr146.50.

TEL AVIV was boosted by an interest rate cut to 11.3 per cent, which lifted the Mishtanim index by 4.35 or 2.3 per cent to 194.35. Turnover was some Shk204m.

Long-term potential seen among Indian steelmakers

Andrew Baxter discusses prospects for the sector

As Europe's steelmakers struggle to sort out their problems, counterparts in developing and industrialising countries face very different challenges - which could turn into long-term opportunities for investors.

A report last month on the Indian steel market by Mr David Morgan, steel analyst at Lehman Brothers in London, focuses on the "excellent long-term growth potential" of the world's ninth largest steel producer, but coupled with problems such as low productivity and rigid labour laws

The report does not make share recommendations, but points out the wide spectrum of investment opportunities among two dozen publicly-listed steel companies.

Among these are the state-owned Steel Authority of India (Sail), the world's tenth largest steel company, which sold 10.5 per cent of its stock last year to local institutions; Tata Iron and Steel (Tisco), the largest private sector producer and valued on the stock market at about Rs48bn ($1.5bn); and fast-growing secondary mini-producers such as Mukand and Jindal Strips.

The report coincides with the launch of three India funds in the past few weeks, making a total of about 10 such funds. Foreign individuals cannot buy Indian shares directly, and even foreign institutions need government approval to invest in India.

The short-term outlook for the Indian steel industry and steel shares is lacklustre. According to Mr Morgan, the industry has experienced weak demand and subdued prices for the past year, due mainly to public sector spending cuts aimed at curbing the budget deficit.

Furthermore, liberalisation of the Indian steel market at the beginning of last year means that the industry is now more exposed to international markets, where prices have been weak.

Steel shares have also been caught up in the general volatility of the Indian stock market because of the government's problems. But last week's victory for Prime Minister Narasimha Rao in a no-confidence vote gave the market a much needed boost. The Bombay's BSE index closed yesterday at 2,240.52, up from its 1993 low of 2,036.

The short-term outlook for the Indian steel industry and steel shares is lacklustre: the industry has seen weak demand and subdued prices for the past year, mainly because of public sector spending cuts aimed at curbing the budget deficit.

But Mr Morgan notes that, in spite of recent problems, the steel industry has remained profitable, unlike the majority of steel companies in developed countries. Profitability, he says, is unlikely to remain unsatisfactory until next year, which could provide investors with a good entry point.

On a long-term basis, however, the Lehman Brothers report shows why the Indian steel industry is the kind of sector that growth funds ought to find attractive. An average GDP growth rate of 5 per cent a year looks "quite possible" over the next ten years, says Mr Morgan, which could double steel consumption from its current level of 16m tonnes a year.

The industry, one of the world's lowest cost producers until the mid-1970s, failed to keep up with new technology under state regulation, which kept prices low but protected steelmakers with high import tariffs.

But both Sail and Tisco have major modernisation programmes underway, the leading secondary producers have efficient modern plant, and there are a number of sizeable new projects employing the latest technology.

The negatives are poor infrastructure, rapidly rising input costs as other industries are liberalised too, rigid labour laws, plants that are still inefficient and under-utilised, and finding the money for modernisation and growth.

Mr Morgan sees enormous scope for productivity improvements at existing plants but, even with the expansion plans, there will still be a need for more capacity to satisfy expected demand by the beginning of the next century. Beyond that, further big demand rises are expected.

But he warns that the post-liberalisation environment is still evolving, and it is hard to say yet exactly where the growth is going to come from. The government still controls about half the country's steel production, but has said that no more integrated plants will be built by the public sector.

ASIA PACIFIC

Overseas buying lifts Hong Kong by 2.6%

Tokyo

STRONG demand in the futures market prompted arbitrage buying, but later profit-taking eroded most of the share price gains, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed marginally ahead but at the day's low of 20,357.64, up 14.11 on the day. The index rose to a high of 20,599.36 in the morning on strength carried over from overnight trading on the Chicago Mercantile Exchange. The index later declined on small-lot selling by investment trusts and tokkin, or specified money trusts.

Volume totalled 270m shares, against 261m. Rises led falls by 500 to 430, with 216 issues unchanged. The Topix index of all first section stocks ended 2.43 up at 1,657.22. In London the ISE/Nikkei 50 index rose 1.25 to 1,255.11.

Concern over the higher yen receded as the market hoped that the rise in the currency will prompt a cut in the official discount rate.

Meanwhile, investors remained inactive ahead of the special parliamentary session tomorrow, where Mr Morihiro Hosokawa, leader of the Japan New Party, is expected to be chosen as prime minister.

Financial issues were firm on renewed hopes of monetary easing. Industrial Bank of Japan appreciated Y80 to Y3,390 and Bank of Tokyo gained Y40 at Y1,780.

Electronics issues continued to weaken. Hitachi fell Y13 to Y840 and NEC slipped Y11 to Y999. Steel makers were also lower, with Nippon Steel finishing Y8 off at Y357.

Speculators traded Nikkatsu, the most active issue of the day, which put on Y2 at Y25. Mining issues, which gained ground on the rise in gold prices on Monday, retreated on profit-taking. Mitsui Mining and Smelting shed Y10 to Y546 and Sumitomo Metal Mining lost Y30 to Y1,060.

In Osaka, the OSE average rose 46.05 to 22,437.09 in volume of 12m shares. Some individuals and dealers sought biotechnology related issues. Shimano, the bicycle parts maker, was traded actively on prospects of firm profits, but was finally unchanged at Y2,820.

Roundup

PACIFIC Rim markets turned in some impressive performances.

HONG KONG advanced 2.6 per cent after a wave of overseas buying which took the Hang Seng index 182.80 higher to 7,211.83. Trading was quiet for much of the day but a late flurry of activity near the close brought turnover to a moderate HK$3.5bn.

Hong Kong Telecom advanced 50 cents to HK$11.40 as some analysts recommended utilities as being immune to any downturn in the Chinese economy. China Light was up 75 cents to HK$41.

SINGAPORE finished sharply higher on buying by US funds which concentrated on index-linked stocks. The Straits Times Industrial index strengthened 31.34, or 1.73 per cent, to 1,841.58.

NEW ZEALAND continued to climb to three-year highs, although activity was restrained after the recent good volumes, and trading in some second line stocks was thin. The NZSE-40 Capital index turned around from a weak opening to close a net 11.57 ahead at 1,826.90 in turnover of NZ$14m.

AUSTRALIA crept to another post 1987-crash high, consolidating after recent strong gains, and the All Ordinaries index closed 0.6 higher at 1,855.4 in turnover of A$383m.

MANILA again closed at an all-time high although the recent strong rally began to ease as investors cashed in their gains. The composite index added 7.44 to 1,783.30.

KUALA LUMPUR saw strong institutional buying of banking stocks which lifted the composite index 8.21 to a new high of 771.67.

TAIWAN edged ahead with many investors sidelined in the absence of fresh incentives to buy. The weighted index rose 2.73 to 3,949.29 in turnover of T$9.25bn.

KARACHI was sharply lower as jobbers unloaded stocks to square holdings ahead of account settlement today. The *KSE index fell 17.87 to 1,356.23.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 2 1993								FRIDAY JULY 30 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	144.59	+2.6	143.92	95.42	128.96	138.86	+0.4	3.62	140.95	140.72	93.51	127.54	138.32	144.59	117.39	142.20
Austria (17)	157.78	+1.3	157.04	104.12	140.72	141.23	+0.2	1.37	155.68	155.42	103.28	140.87	140.90	160.59	131.16	152.61
Belgium (42)	145.04	-0.1	144.37	95.71	129.38	132.34	+0.9	4.32	145.15	144.95	96.31	131.37	131.22	158.76	131.19	146.91
Canada (108)	126.28	-0.1	125.69	83.33	112.62	117.59	+0.0	2.86	126.43	126.22	83.87	114.39	117.59	130.38	111.41	128.58
Denmark (33)	216.98	+2.5	215.98	143.20	193.52	203.28	+4.0	1.11	211.59	211.25	140.37	191.46	195.47	225.64	185.11	237.21
Finland (23)	102.15	+2.2	101.67	67.41	91.10	126.69	+1.3	0.96	99.98	99.81	66.33	90.47	125.05	102.15	65.50	71.35
France (97)	157.64	+0.9	156.91	104.03	140.59	148.68	+1.9	3.08	156.27	156.02	103.66	141.39	145.91	167.36	142.72	158.80
Germany (60)	114.96	+2.0	114.43	75.88	102.53	102.53	+0.8	2.07	112.69	112.50	74.77	101.97	101.97	117.10	101.59	118.76
Hong Kong (55)	282.00	+0.7	280.69	186.10	251.52	280.77	+0.7	3.38	280.06	279.63	185.81	253.45	278.88	301.81	218.82	245.90
Ireland (15)	160.06	+0.8	159.31	105.63	142.75	161.84	+0.0	3.41	158.79	158.54	105.35	143.69	161.84	170.40	129.23	158.40
Italy (70)	70.62	+1.1	70.29	46.60	62.98	84.73	+0.7	1.92	69.84	69.73	46.33	63.19	84.13	72.82	53.78	65.58
Japan (470)	157.71	+0.2	156.98	104.08	140.68	104.08	-0.3	0.80	157.34	157.08	104.38	142.39	104.38	157.71	100.75	93.90
Malaysia (69)	350.23	-0.2	348.81	231.12	312.38	345.58	-0.2	1.98	350.86	350.29	232.75	317.48	346.33	350.86	251.65	242.58
Mexico (19)	1610.91	+0.4	1603.44	1063.09	1436.75	5486.42	+0.3	0.90	1604.83	1602.23	1064.66	1452.19	5471.85	1725.81	1410.30	1403.24
Netherland (24)	170.02	+1.3	169.23	112.20	151.64	149.80	-0.5	3.51	167.80	167.53	111.32	151.84	150.18	172.75	150.39	162.77
New Zealand (13)	55.39	-0.7	55.13	36.55	48.40	53.19	-0.6	4.19	55.77	55.57	37.00	50.48	53.49	55.77	40.56	46.27
Norway (22)	160.55	+0.7	159.80	105.95	143.19	151.75	+0.1	1.63	159.48	159.23	105.80	144.32	151.65	166.21	137.71	163.12
Singapore (38)	254.31	+1.7	253.13	167.83	226.81	189.44	+1.5	1.84	250.07	249.67	165.90	226.28	186.40	262.72	207.04	207.58
South Africa (60)	213.37	-0.9	212.38	140.80	190.29	210.79	-0.2	2.43	215.29	214.94	142.82	194.81	211.28	215.29	144.72	203.45
Spain (44)	119.32	+2.6	118.78	78.74	106.42	129.13	+1.1	4.53	115.33	115.14	77.18	105.28	127.70	132.82	115.23	140.45
Sweden (36)	175.69	+1.9	174.88	115.95	156.70	210.55	+0.0	1.60	172.42	172.14	114.39	158.03	210.46	184.06	149.70	189.04
Switzerland (50)	128.87	+1.3	128.27	85.05	114.95	120.08	+0.0	1.81	127.18	126.97	84.37	115.09	120.04	129.38	108.91	111.68
United Kingdom (218)	178.48	+0.9	177.65	117.78	159.15	177.63	+0.5	3.91	175.85	178.60	117.34	160.05	176.60	181.99	162.00	184.65
USA (520)	184.01	+0.4	183.15	121.44	164.12	184.01	+0.4	2.78	183.28	182.99	121.60	165.86	183.28	186.27	175.38	173.10
Europe (751)	147.03	+1.2	146.35	97.03	131.14	142.46	+0.7	3.13	145.27	145.04	96.38	131.48	141.45	145.02	133.52	148.44
Nordic (114)	187.11	+2.0	166.34	110.28	149.05	176.07	+1.1	1.41	163.83	163.56	108.69	148.25	174.12	171.77	142.13	175.21
Pacific Basin (714)	160.85	+0.3	160.10	106.15	143.46	110.63	-0.2	1.08	160.30	160.04	106.34	145.05	110.65	160.85	105.89	100.72
Euro-Pacific (1465)	155.06	+0.7	154.34	102.32	138.29	123.84	+0.2	1.87	154.01	153.76	102.17	139.36	123.65	155.06	117.26	120.02
North America (628)	180.42	+0.4	179.58	118.07	160.94	179.49	+0.4	2.78	179.74	179.45	119.26	162.57	178.81	182.38	171.51	170.31
Europe Ex. UK (533)	127.47	+1.4	126.87	84.14	113.71	121.98	+0.8	2.59	125.67	125.47	83.39	113.74	121.01	128.65	112.51	125.53
Pacific Ex. Japan (244)	192.37	+1.2	191.47	128.97	171.59	176.51	+0.5	3.14	190.10	189.79	126.13	172.03	175.68	194.08	152.70	167.93
World Ex. US (1652)	155.59	+0.6	154.87	102.68	138.77	125.83	+0.1	1.89	154.61	154.36	102.58	139.91	125.75	155.59	118.51	122.01
World Ex. UK (1954)	162.67	+0.5	161.82	107.38	145.10	140.58	+0.2	2.05	161.85	161.59	107.38	146.47	140.27	162.67	134.22	133.92
World Ex. So. Af. (2112)	163.84	+0.8	163.08	108.13	146.14	143.40	+0.2	2.22	162.94	162.57	108.10	147.45	143.05	163.84	137.29	137.91
World Ex. Japan (1702)	169.53	+0.7	168.75	111.89	151.23	168.12	+0.5	2.90	168.38	168.10	111.71	152.38	165.32	170.05	157.47	162.93
The World Index (2172)	164.08	+0.5	183.32	108.29	146.35	143.96	+0.2	2.22	163.20	162.93	108.27	147.68	143.62	164.08	137.32	138.30

Constituent change 3/8/93: Name change: Evered Bardon to Bardon (U.K.). Markets closed 2/8/93: Canada and Ireland. Latest prices were unavailable for this edition.